


Entegris Inc. (ENTG)

Analyst Notes : New 10-K & Forecast 2/10/20

Select Document: 2019 | 10-K 

Balance Sheet

Income Statement

Cash Flow Data Points

Income Statement Adjustments

Amortization of Prior Service Cost in Non-Operating Items

- Amortization of prior service cost : (\$0.07)

Net Non-Operating Expense Hidden in Operating Earnings Pre-Tax Net Non-Operating Expense/(Income) Hidden in Operating Earnings

- restructuring charges : 1.0
- Severance and restructuring costs : 9.2
- Severance and restructuring costs : 2.0
- Costs associated with the acquisition : 4.0
- Costs associated with the acquisition of DSC : 2.1
- contingent consideration : (0.7)
- incremental cost of sales charge associated with the fair value write-up of inventory acquired : 2.0

Balance Sheet Adjustments

Valuation Adjustments

Operating Leases

(In thousands)	Amount	Weighted average life in years
Developed technology	\$ 7,370	6.5
Trademarks and trade names	2,197	8.0
Customer relationships	9,382	13.0
	\$ 18,949	10.0

The final valuation of assets acquired and liabilities assumed is expected to be completed as soon as possible, but no later than one year from the acquisition date. The allocation of the purchase price to the assets acquired and liabilities assumed is complete with the exception of the value allocated to income tax accounts and intangible assets. To the extent that the Company's estimates require adjustment, the Company will modify the values.

MPD Chemicals

On July 15, 2019, the Company acquired MPD Chemicals (MPD), a provider of advanced materials to the specialty chemical, technology, and life sciences industries. MPD reports into the Specialty Chemicals and Engineered Material segment of the Company. The acquisition was accounted for under the acquisition method of accounting and the results of MPD are included in the Company's consolidated financial statements as of and since July 15, 2019. Costs associated with the acquisition of MPD were \$4.0 million for the year ended December, 2019 and were expensed as incurred. These costs are included in selling, general and administrative expense in the Company's consolidated statement of operations. The acquisition does not constitute a material business combination.

The purchase price for MPD is \$161.0 million, net of cash acquired. The purchase price includes (1) cash consideration of \$156.5 million (subject to revision for customary working capital adjustments), which was funded from the Company's existing cash on hand, and (2) a fixed deferred payment of \$5.0 million that is due on January 15, 2022, recorded at \$4.5 million, which represents the fair value of this fixed deferred payment as of the acquisition date.

The fair value of the fixed deferred payment was determined by taking the present value of this fixed deferred payment based on the term and a discount factor. The fixed deferred payment is reflected in pension benefit obligations and other liabilities in the Company's consolidated balance sheets.

The purchase price of MPD exceeds the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed by \$61.9 million. Cash flows used to determine the purchase price included strategic and synergistic benefits (investment value) specific to the Company, which resulted in a purchase price in excess of the fair value of identifiable net assets. This additional investment value resulted in goodwill, which is expected to be deductible for income tax purposes.