

2019

In 2019, the company completed one acquisition at an aggregate cost of \$35 billion.

Red Hat—On July 9, 2019, the company completed the acquisition of all of the outstanding shares of Red Hat. Red Hat's portfolio of open-source and cloud technologies combined with IBM's innovative hybrid cloud technology and industry expertise are delivering the hybrid multi-cloud capabilities required to address the next chapter of cloud implementations.

On the acquisition date, Red Hat shareholders received \$190 per share in cash, representing a total equity value of approximately \$34 billion. The company funded the transaction through a combination of cash on hand and proceeds from debt issuances. Refer to note P, "Borrowings," for additional details on the financing of the transaction.

The following table reflects the breakdown of total consideration:

(\$ in millions)	
	Total Consideration
Cash paid for outstanding Red Hat common stock	\$33,769
Cash paid for Red Hat equity awards	24
Cash paid to settle warrants	1,008
Cash consideration	\$34,801
Fair value of stock-based compensation awards attributable to pre-combination services	174
Stock issued to holders of vested performance share units	45
Settlement of pre-existing relationships	60
Total consideration	\$35,080

The following table reflects the purchase price and the resulting purchase price allocation as of December 31, 2019. The net purchase price adjustments recorded in the fourth-quarter 2019 were related to deferred tax assets and liabilities.

(\$ in millions)		
	Amortization Life (in Years)	Allocated Amount
Current assets*		\$ 3,186
Property, plant and equipment/noncurrent assets		939
Intangible assets		
Goodwill	N/A	23,125
Client relationships	10	7,215
Completed technology	9	4,571
Trademarks	20	1,686
Total assets acquired		\$40,722
Current liabilities**		1,378
Noncurrent liabilities		4,265
Total liabilities assumed		\$ 5,642
Total purchase price		\$35,080

* Includes \$2.2 billion of cash and cash equivalents.

**Includes \$485 million of short-term debt related to the convertible notes acquired from Red Hat that were recognized at their fair value on the acquisition date, which was fully settled as of October 1, 2019.

N/A—Not applicable

The goodwill generated is primarily attributable to the assembled workforce of Red Hat and the increased synergies expected to be achieved from the integration of Red Hat products into the company's various integrated solutions neither of which qualify as an amortizable intangible asset.

The overall weighted-average useful life of the identified amortizable intangible assets acquired was 10.9 years. These identified intangible assets will be amortized on a straight-line basis over their useful lives, which approximates the pattern that the assets' economic benefits are expected to be consumed over time. The following table presents the goodwill allocated to the segments as of December 31, 2019.

(\$ in billions)	
Segment	Goodwill Allocated*
Cloud & Cognitive Software	\$18.5
Global Technology Services	3.1
Global Business Services	1.1
Systems	0.4
Total	\$23.1

* It is expected that approximately seven percent of the goodwill will be deductible for tax purposes.

The valuation of the assets acquired and liabilities assumed is subject to revision. If additional information becomes available, the company may further revise the purchase price allocation as soon as practical, but no later than one year from Red Hat's acquisition date. Any such revisions or changes may be material. The primary area of the purchase price allocation that is subject to revision relates to certain tax matters.

The company recognized acquisition-related costs, such as legal and advisory fees, of \$189 million within SG&A in the Consolidated Income Statement for the year ended December 31, 2019. This included \$55 million of amortized costs related to bridge term loan facility fees.

In addition, the company recognized compensation expense related to employee retention plans for the period beginning on the acquisition date through December 31, 2019 in the Consolidated Income Statement as follows:

(\$ in millions)	
Line Item	Compensation Expense*
Cost	\$ 20
Selling, general and administrative expense	124
Research, development and engineering expense	86
Total	\$230

* The remaining compensation expense of approximately \$185 million associated with the retention plans will be recognized over the remaining requisite service periods, which range from six months to three years from the acquisition date.