

The business of goodwill.

“Goodwill to others is constructive thought. It helps build you up. It is good for your body. It makes your blood purer, your muscles stronger, and *your whole form more symmetrical in shape*. It is the real elixir of life. The more such thought you attract to you, the more life you will have.” – Prentice Mulford

Negotiating with a potential partner in Vancouver who will remain nameless, I offer him a profit-sharing program which he responds pleasantly with: “we are satisfied with your goodwill.”

“What?! Are you serious?” I respond incredulously. After all, what would this mean if we started everyday motivated by goodwill instead of our usual java and race for capital...I wonder about my priorities.

My partner tells me that no one in our business ever says “goodbye”. He’s right. We finish a call, and click, boom – bang, it’s over. So how the heck are we going to possibly integrate goodwill into our business practices when there is no time for pleasantries?

So, let’s review the source who tossed this ‘new age’ approach my way last week. He seemingly has plenty of capital, an abundance of clients and quite frankly, he looks a decade younger than he is. Vibrant, vital and energized by life, I take a call from one of my endless associates who is tired, on the brink of fatigue, and life is literally sucking the life out of him: he needs \$20k to keep his deal alive. I point out that this will get him only so far, what is he really needing? Could tossing in some goodwill be the missing variable required for prosperous living? After all my less energetic associate is working from dawn to dusk and he always seemed gracious to me – what gives?

Mi3's Mario Drolet just called me back about an interview preparation on our what works for financial media marketing interview series we are doing, I ask: "Can you tell me what your greatest success was in business whereby you utilized goodwill?" He pauses and responds with a cleverly trained ear once I explain the reason for what he deemed an unusual question with – "Tell your associate it's very hard to deposit goodwill in the bank."

I laugh...but...in the last year, I have quit drinking, stopped eating sugar and toyed with giving up coffee, albeit while the last one has been unsuccessful – isn't the goal better living? We all understand that no fulfilling lifestyle can be built on investing inward only, there must be an investment outward and in others, but how does this formula work on optimum drive? The promise of greater life satisfaction, higher productivity, perhaps the new age investment advisor should be recommending some old fashioned giving...

Scandalous, I imagine the faces of our wealthy investor's faces receiving information from their IAs that they should start giving more away...for fun, ask your IA who you should give your money too.

Testing this theory, I told two companies last week that I was motivated purely by goodwill and volunteered some services for free. One has not called me back – indubitably in shock, and the other one has been ringing me hourly for results. Brought this up with my best friend over coffee this morning, and his conclusion was that the goodwill recipient simply did not deem my action to be genuine or that of goodwill, but one that was masking an inevitable ulterior motivation. And the other one, understanding that this was a short-lived window of opportunity, was moving rapidly to ensure that I did not renege perhaps.

Though the definition I am reflecting on is "a kindly feeling of approval and support: benevolent interest or concern" the

cavalcade of definitions for business are as complex as this debate, especially when integrated into the business success formula.

“Goodwill is a type of intangible business asset. It is defined as the difference between the fair market value of a company’s assets (less its liabilities) and the market price or asking price for the overall company.”

Mired in controversy, this word is classically used for exchanges that range from hard dollar value to an act of kindness – they all end up in the grey zone. Wikipedia takes it a step further and writes: “The accounting treatment for goodwill remains controversial, within both the accounting and financial industries, because it is, fundamentally, a workaround employed by accountants to compensate for the fact that businesses, when purchased, are valued based on estimates of future cash flows and prices negotiated by the buyer and seller, and not on the fair value of assets and liabilities to be transferred by the seller. This creates a mismatch between the reported assets and net incomes of companies that have grown without purchasing other companies, and those that have.”

With competitors heightening their game, technologies more ferocious driven by capital gain, and the absence of a good glass of wine to alleviate the pressure, at the very least one may debate that goodwill at its very core is indeed a nice break in the usual money hustle, a life hack? Perhaps a season or two of goodwill is the basis for better living -- or is this simply another workaround, a modern translation of a “you owe me a big one”, or a justification that one is not simply driven by money. The point is that “good” may be an overstatement.

Looking at the market, Aurora Cannabis Inc. (TSX: ACB) has had some challenges with the art of goodwill or are they in fact, a champion leader on this front? You decide.

Aurora's Q3 2019 results show \$3.18 billion in goodwill. The total asset of the company is \$5.55 billion, which means that approximately 57% of the total asset is goodwill. Some opinionated writes posing as analysts believe it is too much and there is ongoing debate on whether or not the company has overpaid for most of its acquisitions ([click here](#)).

(Aurora's financial results source). Adding the "Bank of America Merrill Lynch analyst Christopher Carey recommended the stock in April 2019 but the downgraded the stock to neutral rating in July. He said that the cash burn for the company is very high and it may run out of cash by the first quarter of 2020." (source)

Now speaking of goodwill, let's extend some here to Aurora for the sake of this debate. They were first over the mountain, they not only succeeded when no one else could and then made a whole lot of people a whole lot of money, perhaps we should hear what they have to say? I think I will send the founder Terry Booth an email on this and publish his response if he cares to answer because I remember attending meetings with Terry in the early days and having people explain why he couldn't, wouldn't make Aurora successful. Good thing he didn't listen...many might agree.

Been thinking about this since the new partner in Vancouver threw this business formula my way and have been on the fence on this matter, debating it with respected friends and associates with the only possible conclusion being that when someone describes a deal as goodwill as such, accept it rapidly with an onslaught of graciousness and have a very – very good day. Sort of like making money in the stock market. Don't over think it, just assume it's a gift of the right deal at the right time with the right people.