

**Marks&Clerk Consulting LLP
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WHO ARE VALUATION CONSULTING LLP

- Valuation Consulting LLP is a business owned by Marks & Clerk LLP providing; licensing, business and IP valuation services worldwide
- Many years experience working within Government, Investment Banks and the accountancy profession
- Members of the Society of Share and Business Valuers, authors, lecturers
- Royal Institution of Chartered Surveyors, Chartered Valuation Surveyors and Registered Business Valuers
- UK Law Society Registered Expert Witness accreditation and membership of the Expert Witness Institute
- Four Directors experienced in presenting testimony with many compliments in Judgements worldwide
- Dedicated valuers – we only value shares, businesses, intangibles and IP worldwide for a variety of non-contentious and contentious purposes.
- IP Valuers and Trainers appointed by amongst others UK Government and in SE Asia, Malaysian IPO
- Kelvin King current Chairman RICS Business Valuation Board

STARTING AT THE TOP AND TRYING TO BUILD DOWN

THE LAWS OF PHYSICS AND VALUATION SUGGEST THAT
THIS IS NOT POSSIBLE

Quantitative analysis is important but the foundation of
valuation is qualitative and principled, not prescriptive

Human Resources meets Finance – the forgotten element

VALUATION PROCESS 1

DEFINITION & IDENTIFICATION

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The US FASB has created a list of what it considers to be a firm's intangibles:

Category	Examples
Market-related	Trademarks, trade names, service marks, trade dress, newspaper mastheads, internet domain names.
Customer-related	Customer lists, customer contracts, customer relationships, customer agreements
Artistic related	Ballets, books, plays, articles, other literary works, musical words, opera, pictures, photographs, video and audio-visual material.
Contract-based	Licensing agreements, advertising or service contracts, lease agreements, construction permits, operating and broadcast rights, employment contracts.
Technology-based	Patented technology, computer software, unpatented technology, databases, trade secrets, secret formulae

Recognition under IFRS is only allowed when there is a purchase of one company by another. You CANNOT under most Standards value own-grown IP for accounting statements

VALUATION PROCESS 2 – ESTABLISH THE REASON FOR VALUING INTELLECTUAL PROPERTY AND OR IP RICH COMPANY

- Mergers & Acquisitions
- Portfolio review and risk assessment
- Arrange a loan – securitisation
- Tax purposes
- Licensing
- Balance Sheet
- Joint Ventures and Technology Transfer
- Selling your IP
- Distress
- Litigation

VALUATION PROCESS 3 – WHAT RULES SHOULD THE VALUER ADOPT?

- Ensure you are qualified and not conflicted
- Tax Valuation
- Fair Value and Fair Market Value
- Commercial Value and Investment Value
- Owner Value
- Litigation - damages enquiry and account of profit

VALUATION PROCESS 4 – WHAT METHODS OF VALUATION SHOULD I USE?

Market based

- Comparable market transaction

Cost based

- Historical or replacement cost

Income based

- Discounted cashflow
- Capitalisation of Profits

VALUATION PROCESS 5 – THE CASH INPUTS FOR DCF

How Much – Identifying Cashflows?

- Gross Profit Differential Methods – Premium Prices/Premium Profits
- Excess Profits Method
- Relief from Royalty Method
- Brand Contribution – drivers (awareness, attitude loyalty etc) and financial performance analysis of all business lines in context of margins in sector.

VALUATION PROCESS 6 – HOW LONG FOR (TIME PERIODS AND USEFUL LIFE)

- Physical Life
- Functional Life
- Technological Life
- Economic Life
- Legal Life

VALUATION PROCESS 7 – CHOOSING THE DISCOUNT OR CAPITALISATION RATE MARKET AND TECHNOLOGY DUE-DILIGENCE

Examples:

- The legal strength of IP is only a beginning
- Large/small/niche market and where
- State of market and price volatility
- Required investment
- Close to market technology, or not
- Development time and R&D expense
- Economic and technology life
- Market drivers and potential
- Manufacturing depth
- Comparable technologies

THE LICENSEE/PURCHASER & LICENSOR/VENDOR

Four Calculations or Steps – 'can Kelvin count'

1. Intrinsic value of Vendor/Licensor
2. Intrinsic value of Purchaser/Licensee

PLUS

1. Intrinsic value of Vendor/Licensor
2. Intrinsic value of Purchaser/Licensee

The capital values calculated are an essential step to calculate royalty rate or valuation - discuss

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