

PPA IP VALUATIONS INSIGHT

Over the last 18 months, we have performed numerous IP valuations for PPAs and identified significant trends that will be of interest to you, the auditor.



Stephen Robertson
0141 353 3011 (Glasgow)
0203 198 0096 (London)
stephen@metispartners.com

IP DUE DILIGENCE

Many acquirers had to report unallocated goodwill despite a significant value of intangible assets being recognised - this resulted from agreeing a purchase price before performing adequate IP due diligence

RANGE OF IP ASSETS

One key IP asset was often the driver for the transaction but many critical IP assets were subsequently recognised, which helped to minimise unallocated goodwill

ACCESS TO MANAGEMENT

Access to outgoing management close to the acquisition date ensured that:

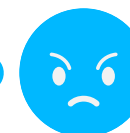
- All critical acquired IP was identified
- Financial information used in the IP valuation was free from buyer intent

SECTOR INFORMATION

IP characteristics varied significantly by sector and sourcing relevant financial and market indicators was critical in supporting the fair value assumptions required by the accounting standards

KEY TAKEAWAYS:

01



UNALLOCATED GOODWILL IS A HARD SELL TO SHAREHOLDERS!

02



IP DUE DILIGENCE COULD HAVE PREVENTED OVER-PAYMENT

03



YOU NEED TO "KNOW" IP TO FIND IP

04



DETAILED VALUATION ASSUMPTIONS MADE IT EASIER TO AUDIT

PPA IP VALUATIONS INSIGHT

“In our last eight IP valuations we have recognised more than £45m of intangible assets from excess consideration of £60m, which has helped our clients to minimise goodwill and maximise potential tax benefits.”

- STEPHEN ROBERTSON, FOUNDER OF METIS PARTNERS

RECOGNITION OF IP

Sector analysis will ensure all IP “typical” for the sector is captured – the useful lives of IP assets differ significantly from sector to sector.

It is vital to be able to both identify critical IP and be able to map it to the accounting standards to assess which of them can be recognised as intangible assets.

You have to be prepared to identify and value non-typical IP assets which, if overlooked can increase goodwill and increase your client’s future tax bill. We have identified and valued:

- Animal breeding rights
- Retail distribution rights
- Innovative approaches to drug development

MEASUREMENT OF IP

Financial forecasts must be assessed as being reliable and free from buyer’s intent.

Diligence on the financial forecasts and the related assumptions enables the revenue streams to be mapped to the critical IP assets underpinning them.

Economic useful lives of the IP assets may be required for those preparing their financial statements under IFRS 3.

An IP valuation report that includes detailed assumptions on recognition and measurement of intangible assets is easy-to-audit and saves auditing time.



Stephen Robertson
0141 353 3011 (Glasgow)
0203 198 0096 (London)
stephen@metispartners.com

**OUR IP VALUATIONS HAVE
SECURED AUDIT SIGN-OFF,
INCLUDING 3 OF THE BIG 5 UK
AUDIT FIRMS**

“Metis Partners provided us with an IP valuation for PPA requirements. I was pleased at how smooth the process was and the exercise was useful for us from a standalone perspective, irrespective of the IFRS requirement that prompted the engagement. We look forward to working with them again in the future.”

**WILLIE BREMNER
THE SCOTCH MALT WHISKY SOCIETY**