LEARNING TO TELL THE INTANGIBLE STORY KEY TO INVESTOR RETURNS

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Paul Adams, Global CEO of EverEdge, intangible asset specialists explained: `Many investors don't understand what the companies they are investing into really own and the real costs and risks associated with those assets or how to unlock their true value. One thing you can be certain of is that 'goodwill' and other intangible assets such as brand and content are almost always mispriced on the balance sheet.'

He added: `Intangibles directly affect the price you get for your business. Once you understand what they are and the role they perform in the business, you need to know how to tell the story about those assets to maximise the return. If you can match the intangible assets to a strategic buyer you can drive exit value well beyond simple editba multiples.'

He pointed out: `Over the last 40 years the West has undergone a massive economic inversion. In 1975 tangible assets made up 84% of the value of the S&P500. In 2015 it was only 16%. Corporate balance sheets, once cluttered with tangible assets such as property, plant and equipment have been inverted. Airlines don't own aeroplanes anymore. Hotels don't own their buildings. Car manufacturers now outsource production lines. Balance sheets today are dominated by intangible assets: brand, content, data, know how, confidential information, design, inventions, and code.

`These intangibles are the primary drivers of company performance and also exit value but may also generate risks that can reduce enterprise value. Value has completely shifted from fixed assets and cash to intangible assets but the balance sheet provides little guidance as to the true value or risk associated with those assets.'

Paul claimed that venture capital can release substantial value even from "failed" investments. ` Market failure, timing and management failure are the primary reasons start-ups fail, not technology failure. Inside many failed start-ups there is often value waiting to be salvaged.

He also asked the workshop to consider two companies both valued at $1 billion – Instagram with 12 employees and Mainfreight with 6,000 and noted that the value of Instagram lies almost completely in intangible assets.

Paul also warned: ` Very few people do a chain of title on intangibles. It is hard to stop knowledge walking out of the door. You should list and manage the intangibles. Employees are generators of intangibles which can be separated from the employee and there is a better chance to shut down leakage of assets through intangibles rather than try and enforce employee restraints of trade for example.'

ENDS

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