

WHAT IS IT

The value of intangible assets – and their share of overall corporate value – has increased dramatically in recent years. In fact, intangible assets are now thought to represent nearly 85% of the value of the S&P 500 – some US\$21 trillion. And yet, despite their importance and the fact that intellectual property (IP) assets can be found in almost every business, it is thought that less than 5% of companies place a value on them; and fewer still put their true value on the balance sheet. As a result, these intangible assets are often under-valued, under-leveraged and under-exploited.

The global pandemic, together with global trends in digitisation and ESG, has accelerated the creation of huge amounts of new IP as well as catalysing the evolution of existing IP. The role of innovation and technology has never been more evident than it is now and we think it's essential that the value of the associated IP is properly captured and harnessed.

Bringing the hidden value of your IP (in particular, self-generated IP) onto your balance sheet can also have a host of other benefits.

WHY DO IT

- To give businesses a better understanding of the value and use of their IP, enabling them to make better informed decisions, helping them to communicate the value of their IP assets to investors and lenders and potentially identifying new revenue streams and opportunities.
- To assist companies to raise finance or investment – finance providers are increasingly recognising the ability to take security over IP assets.
- To strengthen company balance sheets by bringing the often hidden value of IP to the fore – many businesses have recently become all too aware of the “Undertakings in Difficulty” regime (originating from the EU State Aid rules in section 2(18) of GBER); proper capitalisation of IP (particularly self-generated IP) can strengthen the balance sheet and thereby avoid a company being classified as an Undertaking in Difficulty.
- To harness potential tax benefits and innovation support, through regimes such

as the “patent box” and R&D funding – the most recent UK budget was a clear example of the UK Government’s direction of travel on this topic.

- To ring-fence risk and make sure valuable IP is properly protected – separating IP from trading assets can help to protect them from general business risk.
- To enhance company valuations and improve exit returns.

WHY AVOID IT

- Time and cost – a business typically needs to have at least £100,000 of unrecognised intangible value in order to justify the time and cost of the process.
- Tax and accounting rules – depending on the company and its goals, there may be adverse tax or accounting implications which limit its options, particularly when it comes to recognising the true value of self-generated IP.

HOW DO WE HELP YOU DO IT?

- We start by working with you and your other advisers to conduct an IP audit and valuation.
- We then help you to decide how best to protect, exploit and leverage your IP, bringing all of our experience and insight to the process.
- And we look at whether your IP is under-valued on your balance sheet at the moment – if it is, we also look at how you might correct that.

GET IN TOUCH

We are helping businesses with a wide range of strategies to improve the strength of their balance sheets. For an informal view on what we're seeing strategically and at the coalface, or to help accelerate your business strategy, please get in touch:

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BALANCE SHEET STRATEGIES ON WHICH WE ARE ADVISING:

- Additional borrowings
- Amendments to share rights
- Bringing intangible assets onto the balance sheet
- Buybacks, redemptions and reductions of capital
- Capital raisings
- Corporate simplification
- Debt for equity swaps
- Diversification
- Divestment
- Replacing equity/investor-sourced financing
- Sale and leaseback of real estate assets
- Sale and leaseback of receivables financing
- Distressed opportunity and special situation investment

WHY ADDLESHAW GODDARD?

WE ACTED FOR 43 FTSE 100 COMPANIES IN THE LAST 2 YEARS

OUR TIER-1 RANKED CORPORATE LAWYERS HELPED DELIVER £8BN+ OF STRATEGIC DEALS LAST YEAR

WE HELPED MAJOR CLIENTS TACKLE OVER 1,000 RESTRUCTURING CHALLENGES GLOBALLY IN THE LAST 18 MONTHS