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IDENTIFYING HIDDEN VALUE

You're missing a trick if you treat intangibles as boot collateral, but worse still is disregarding them completely, writes Stuart Whitwell of Intangible Business

Intangible assets accompanying a deal can often be key in supporting the value of other assets, such as plant and machinery, and stock. There can also be other hidden IP that has latent commercial value yet remains under the radar. Identifying and evaluating IP's potential presents an opportunity for bankers and insolvency practitioners to realise greater returns.

Robust methodologies are used to evaluate the IP, which can then be reliably securitised to enable the borrower to raise more capital and the bank to increase the loan amount with lower risk. The exit strategy is also planned, so that in a distressed situation the asset can either be managed for return or sold – a structure is put in place prior to securitisation to facilitate this.

Intangible Business recently worked with GoIndustry for KBC client Burn Stewart Distillers, the Scotch whisky producer and brand owner. We valued its whisky brands alongside its inventory, which, when combined with the property value, supported an integrated asset-based loan facility of £31 million.

Acquisitions and disposals frequently disregard intangible assets either because they go unnoticed or are considered immaterial. We've recently seen the value of a number of intangibles – such as customer lists, databases and contracts for usage rights – almost missed during disposals by insolvency practitioners or corporate financers when their value was quite substantial.

Identifying and valuing the intangible assets is the first step. Once its value has been established, plans can be put in place to realise the value by sale and management. The preferred exit strategy is usually to sell the IP, but in order to do this the asset first has to be identified and valued. ■

Stuart Whitwell worked with GoIndustry on a £31m deal