



ევროკავშირი
საქართველოსთვის
Project funded by the European Union



Identifying IA, Risks and Opportunities: Informing an IP Pre Diagnostic (IPPD)

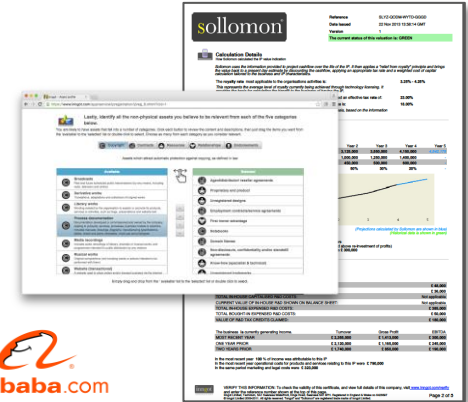
DR ALISON ORR | 4 MAY 2022

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@DrAlisonOrr
@Inngot

EU Georgia project, funded by the European Union and implemented by the European Union Intellectual Property Office (EUIPO)

WHO ARE INNGOT?

- **Pioneering scalable online IP tools services since 2009** - platform for intangible asset identification ('Goldseam'), diagnosis ('Appraise') and valuation ('Sollomon')
 - over **£800M/EUR930M/Lari3Bn** of 'hidden value' found for SMEs using our systems
- **Optimised for international use**
- **Already working closely with several financial and other institutions**
- **Other services** – IP audit; technology evaluation; training (masterclasses/accelerators)
- **Authors of series of influential industry reports** on IP and intangibles identification and financing over a five-year period, for IPO, ACCA, OECD and others

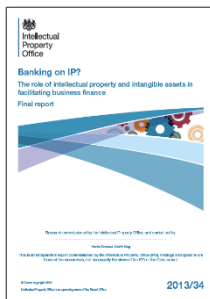


Some of our work on the subject

5+ years investigating asset identity & value



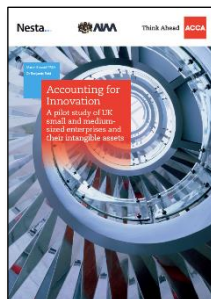
Secured finance for IP assets
(Oxford)
Davies, 2006



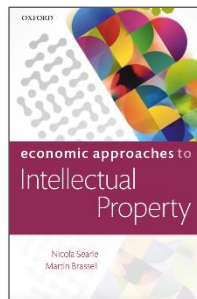
Banking on IP?
(UK IPO)
Brassell & King, 2013



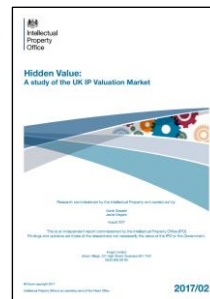
Innovation, intangibles and IR
(ACCA)
Brassell & Reid, 2015



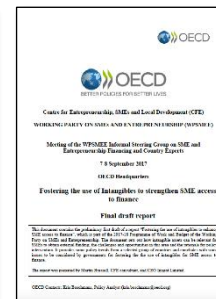
Accounting for innovation (ACCA)
Brassell & Reid, 2016



Economic Approaches to IP
(Oxford)
Searle and Brassell, 2016



Hidden Value (UK IPO)
Brassell & Maguire, 2017



Fostering the use of intangibles to strengthen SME access to finance (OECD)
Brassell, 2017

<https://www.inngot.com/research.html>

On today's webinar, we'll cover...

1. Reminder of the IP Family
2. IP identification – 5 categories of IA that you don't register
3. Typical issues
4. Practical IP management tips
5. Insights from delivery of IP audits



WHAT ARE WE SEEING IN IP TERMS?

Trade marks often not registered, lacking in scope or cover an outdated subset of appropriate goods and services

- Even marks that are in use, driving revenue and vital to the company, are often poorly or inadequately protected
- Branding guidelines (to ensure consistent use of brand elements) are often absent

Patenting not always considered

- Searches not likely to be thorough (or understood!)
- Software companies often incorrectly assume that patent protection is not available to them (or if so, that it is straightforward and harmonised)

Trade secrets often poorly managed

- Lack of knowledge of trade secrets and ability to prevent their use if properly managed: often no clear understanding of secrets owned
- Know-how often not captured. Many things considered 'know-how' may actually be trade secrets

Designs very rarely registered, even if relevant

- Lack of understanding or appreciation in the SME community

Basic knowledge of copyright often missing

- Ownership issues: stock photos often used without appropriate licensing, IP is not assigned from contractors
- © statement often missing or misused
- Record-keeping and copyright management poor

Contracts and domains

- Lack of understanding of key terms/appropriate royalties (e.g. in licensing)
- Employment contracts often lack standard IP clauses
- Frequently domains are registered to director, designer or web hosting company and not client company

Companies often encounter issues as they grow and internationalise

- As companies export, IP position becomes worse, with little or no protection in key territories
- Risk of distributors registering company trade marks overseas
- Insufficient barriers to entry for competitors

Companies often interested in IP value

- To support negotiations or investment

WHAT ARE WE SEEING IN IP TERMS?

Patents generally the best managed assets, where they are relevant

- Mostly filed using professional advisors: often some academic background

Companies often involved in collaborative development (e.g. H2020 funded etc.)

- They know that these arrangements pose some IP risks, but aren't sure why, or how to minimise these
- (Is there further support available that they are not accessing? eg NIPOs, EUIPO/EPO, WIPO, EU IP Helpdesk etc)

Not enough attention being paid to trade marks

- Understandable at an early stage, but little visibility of potential future 'road blocks'

Trade secrets often poorly managed

- No inventory: lack of security procedures

Lack of awareness of potential copyright/design issues

- Lots of assignments required from contractors
- Insufficient records being kept of inventive/creative process (e.g. in staff notebooks)
- Greater relevance for designs, but most haven't considered protecting them

Strong interest in value development

IP – THE OPPORTUNITY

IP is at the heart of overseas trade

IP-intensive industries account for approximately 81% of the EU's trade with the rest of the world*

IP benefits employees

European firms that own IPRs have on average 20% higher revenue per employee and pay 19% higher wages to employees than firms that do not*;

IP helps export growth

Active IP management makes an SME 10% more likely to report overseas turnover**

And exports lead to new IP

Over 50% of UK firms exporting have evidence that a new product or service evolved because of their business overseas**

However, many companies are not well placed to make the most of their IP:

They don't know what they've got, what it's worth, or what to do with it



* EPO/EUIPO/IPR Intensive Industries 2019/21

** UKTI *New markets, new ideas: How exporting fosters innovation and growth 2011*

Existing unregistered IP rights? Could they be protected better?



Unregistered rights

Come into existence automatically on creation of the relevant work

Limited protection:

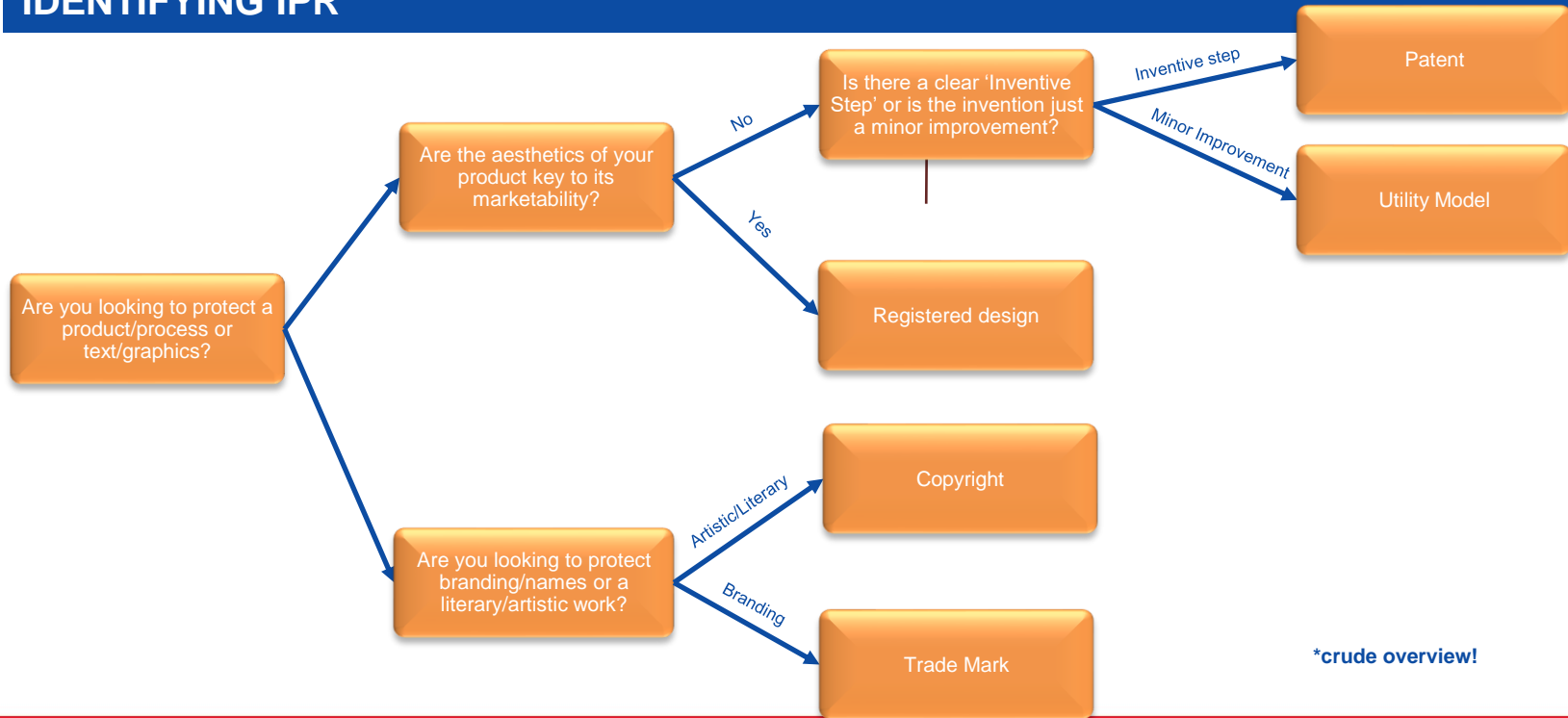
- Can be narrow in scope
- Onus on you to prove copying



Registered rights

- Monopoly' rights (no requirement to establish copying)
- 20 year 'negative' right to prevent others from working invention (patents)
- Potentially much broader in scope, particularly patents (no equivalent unregistered right)
- Easier to trade/raise investment
- Registration procedure before relevant IP/patent office – can take several years in the case of patents

IDENTIFYING IPR*

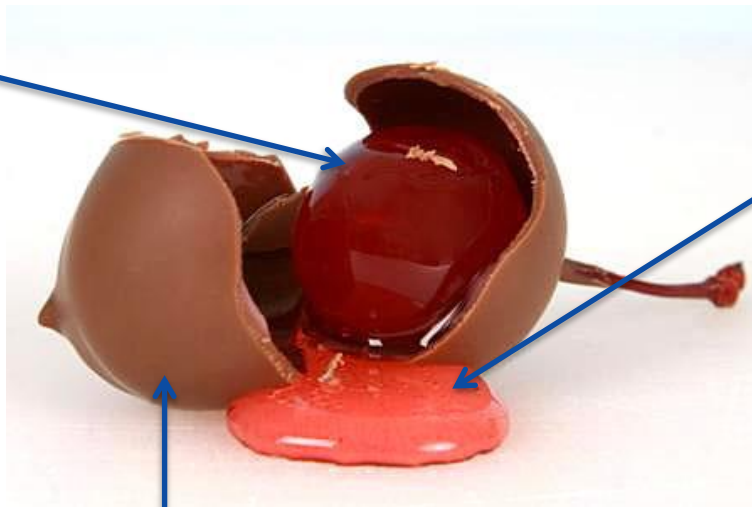


***crude overview!**

THE IP FAMILY IS BIGGER THAN YOU MAY REALISE

Formal IP rights like patents, trade marks, industrial designs, copyright

(Also, *sui generis* database rights, GIs, plant variety rights, semiconductor topography rights ...)



Non-physical things you own, like trade secrets, processes, contracts, customer & supplier relationships, IP Insurance

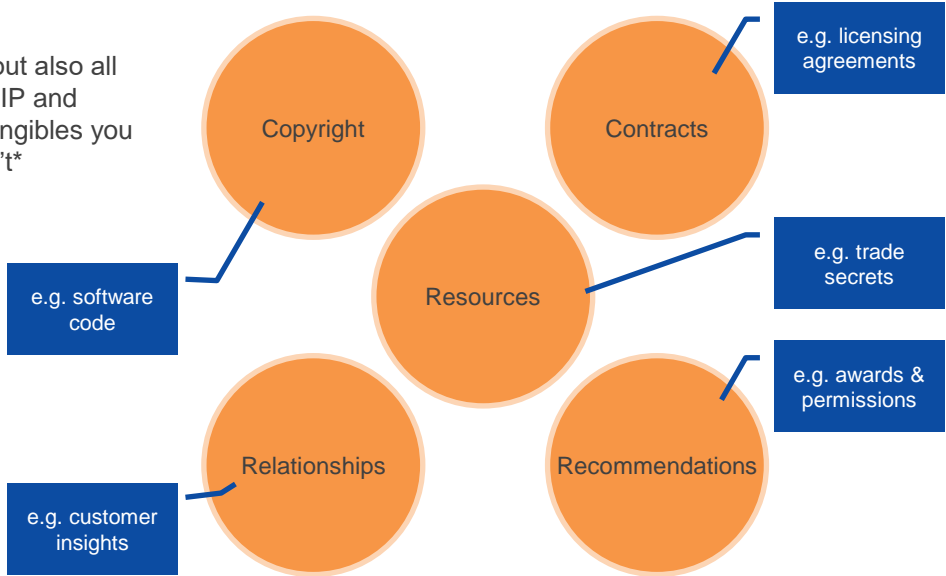
The **intellectual capital** you don't own, but you use – including your team, and IP licensed to you

IP assets that are within scope for IPPD

Not only all the intellectual property assets you can register...



... but also all the IP and intangibles you can't*



* In some countries

WHY SUCH A BROAD RANGE?

Registered rights can be verified using external databases – useful for financing etc. as a ‘fixed charge’ (security interest) can be taken over them - but their importance varies from business to business

Copyright covers not only creative works but business-critical assets like software code and database designs

Contracts are vital to maximise the value of your IP (exit). They can help lenders and investors understand how much reliance they can place on your forecasts

Resources and relationships reveal whether you have the internal and external competencies and connections to deliver on your plan

Recommendations (assets not necessarily unique to you) may include endorsements and permissions essential for trade



COPYRIGHT - SUMMARY



Applies to artistic, dramatic, literary, musical and other types of work (software)



Protects the expression of an idea, and not the idea itself.



Must be original



Although arises automatically, the work must be fixed (e.g. written or recorded)

COPYRIGHT

- Automatic
- Copyright registry/depository (e.g. USA, Georgia)
- Software
- Berne Convention
- EU cross-border:
 - e.g. Rights in databases/portability of online content service

COPYRIGHT

Available

C	Software code Original and unique computer program(s) or 'firmware' developed or acquired and owned by your organisation which support its day-to-day operations and/or sales
C	Software app(s) Applications running on third party platforms based on their proprietary operating systems that are used to deliver your organisation's products and/or services
C	Database(s) Selection and arrangement of content into a system created by your organisation to facilitate future retrieval and interrogation, e.g. definitions of fields, data types and data interrelationships
C	Website (transactional) A website used to place orders and/or transact business via the internet
C	Website (informational)



Translations, adaptations, arrangements and other alterations of material originating from a third party, e.g. music or pre-existing literary or artistic works



Process documentation

Documentation developed or commissioned and owned by your organisation relating to products, services, processes, business models or solutions. Includes manuals, drawings, flow charts/ diagrams, manufacturing specifications, tables and templates



Notebooks

Research or laboratory notepads, production notes, sketchbooks and other informal records of inventions, experiments or designs (in paper or electronic form)



Employee handbook

A detailed set of policies and instructions, specifically created as a point of reference for staff at your organisation (includes induction manuals)

COPYRIGHT – TYPICAL ISSUES

- Date of creation
- Bogus registries
- Keep confidential copyright materials secret
- Assert your copyright when your works are made public e.g. © [Company Name] 2021. All Rights Reserved
- IP ownership!
- Failure to retain evidence
- No assignments on commissioned works
- Moral rights
- Employee handbook e.g. staff use of images from internet without checking ownership/usage rights; Creative Commons...

TRADE SECRETS

Very common and often the best way to protect a company's competitive advantage

Laws can prevent others using a company's trade secrets for unauthorised purposes however the information is obtained

Useful if:

- It is likely that confidentiality must/can be observed for a considerable period of time
- The trade secret behind revenue-generating activities does not need to be disclosed to the public
- Reverse engineering of trade secret is difficult



TRADE SECRETS - OVERVIEW



Protects confidential information only known to the organisation



Can protect recipes, pricing/business strategies, algorithms, coding, processes, methodologies....



Information must have properties of secret info about it; commercial value to it because it is secret; reasonable steps taken to maintain secrecy



Recipient of information must be subject to an obligation to keep it secret

TRADE SECRETS

- Automatic (if steps taken to protect confidentiality)
- EU trade secret directive
- Law can be used if info used for unauthorised purpose
- Civil law (EU*) vs Criminal law (US)
- Public interest defence

TRADE SECRETS – TYPICAL ISSUES

- SMEs unaware of TS Directive definitions – have they taken ‘reasonable steps’ to maintain secrecy? - EDUCATION
- Trade secrets often poorly managed - CHECK
- No inventory - CREATE
- Lack of security procedures - CHECK



TRADE SECRETS – PRACTICAL STEPS



Label the information as secret - Secrets should be clearly marked as confidential, stored and catalogued securely; Implement controls on physical and electronic confidential documents

Restrict Access to Information with access restricted to those with a “need to know”

Use metadata

TS use – a big risk is accidental or deliberate disclosure by employees, former employees or other confidants. This should be addressed in formal agreements, backed up by training

Encourage good practice - use of NDAs prior to discussing anything secret with a third party

Trade secrets can be used to obtain tax relief in some jurisdictions (for example, via the Knowledge Development Box in Ireland)

PATENTS VS TRADE SECRETS



Pros

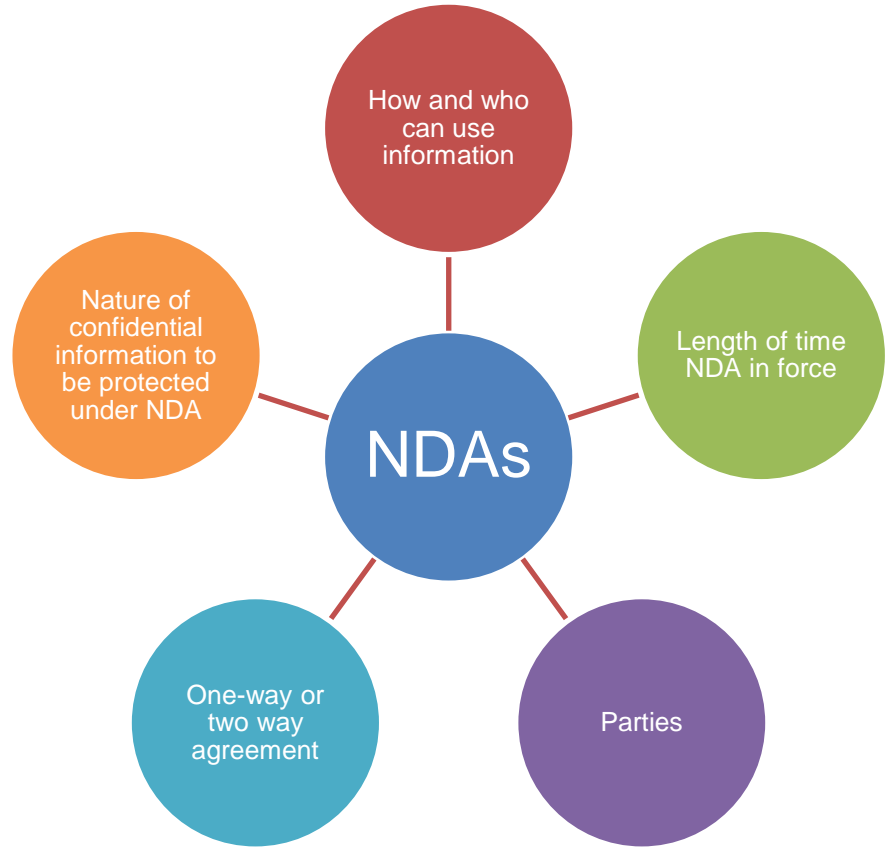
- TS are cheaper
- Unlike patents, no requirement to publish technical information
- Patents expire after 20 years/ trade secret – indefinite lifetime
- TS applicable to all technologies
- By maintaining the technology as a trade secret, there is no risk that a patent application will be unsuccessful after it has been placed in the public domain (meaning sensitive information would not be disclosed without obtaining any protection in return)



Cons

- Trade secrecy does not provide any protection against reverse engineering: if an invention can be copied in this way, it may be preferable to seek patent protection for it
- Trickier to enter into negotiations e.g. with an investor

IP IN CONTRACTS



EMPLOYMENT CONTRACTS



A definition of “confidential information”

A definition of an “invention”

A definition of “intellectual property”

Non-compete / non-solicitation clauses

Clauses that require the employee to assist the company in obtaining good title to all inventions and IP

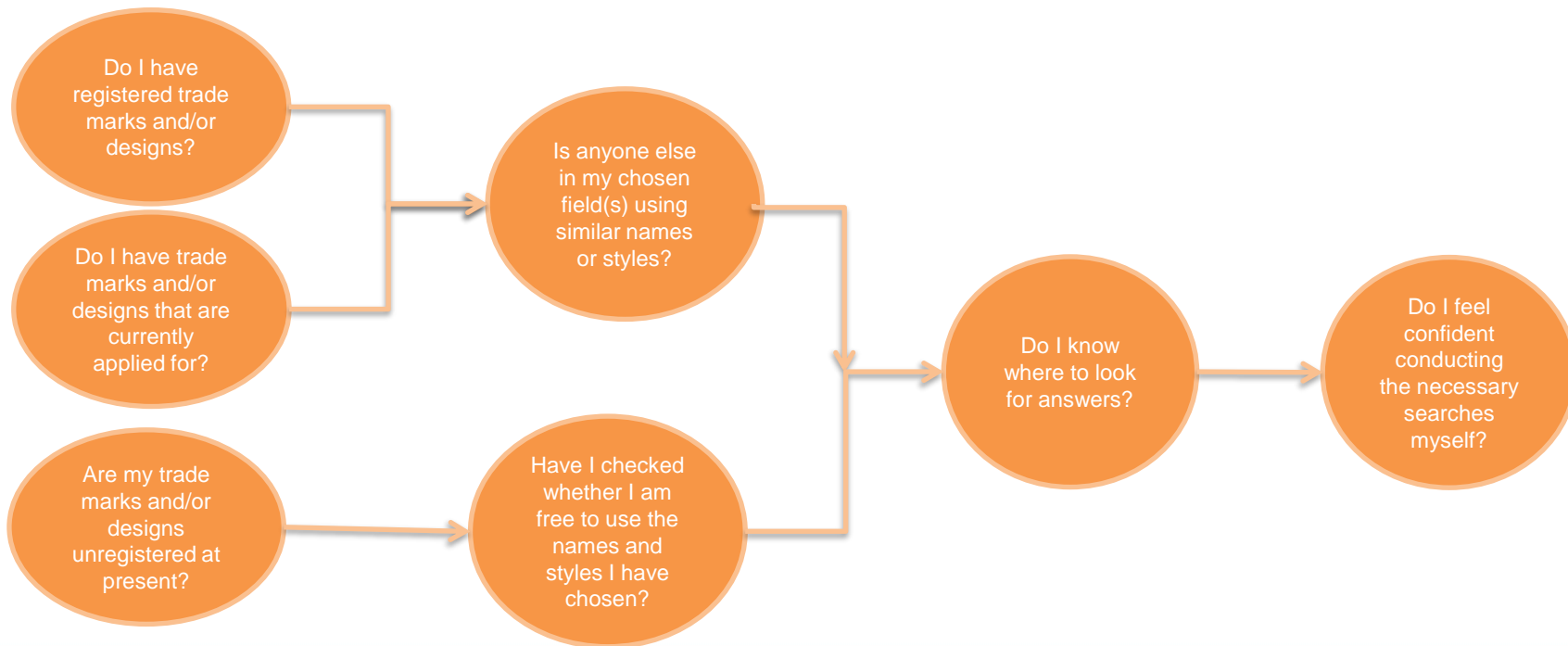
Use of IP during / after employment

DOMAIN NAMES – PRACTICAL STEPS

- Often SMEs may register one domain name eg SMEbiz.com or SMEbiz.eu
- Single domain name registrations can limit ‘footfall’ and increase bad faith registrations/squatting
- Consider defensive registrations (low cost) and use landing pages/redirects
- Social media accounts and registered trade marks should be coordinated and secured for key trade marks
- Often domain names are not secured in the name of the company – can cause issues later
- Consider a domain name strategy as per other assets in the business



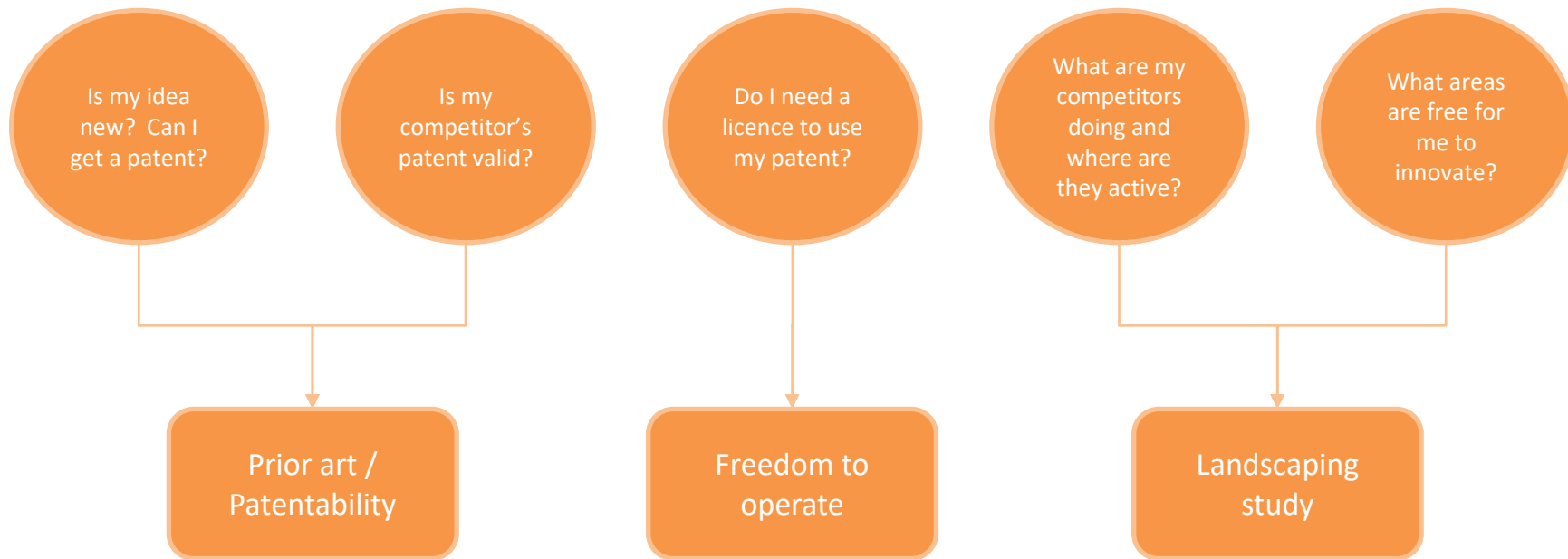
USE OF IP SEARCHES



IP DATABASE USE FOR BUSINESS INTELLIGENCE

No	Question
i)	I want to know what my competition is thinking of doing next
ii)	I need to understand more about how competing products work
iii)	I would like to find sales opportunities among other firms working in my field
iv)	I need access to related technologies in order to build new or better products
v)	I am looking for additional distribution channels

REASONS FOR PATENT SEARCHES



Other risks to consider

Forgetfulness

It is the owner's responsibility to know and diarise all the due dates within the IP registration process. A good attorney will remind you, but others (including official bodies) won't always do so.

Confidentiality

Your directors may understand what information must be kept secret. Do your staff know? What do their employment contracts require?

Licence infringement

If your developers 'borrow' software code from third parties, will you own it? Will someone else sue you for copying it?

Failure to retain evidence

If your ownership of IP (including copyright) is challenged, proving that you came up with the concept independently could prove critical. Have you kept your 'workings'?

Lack of budget

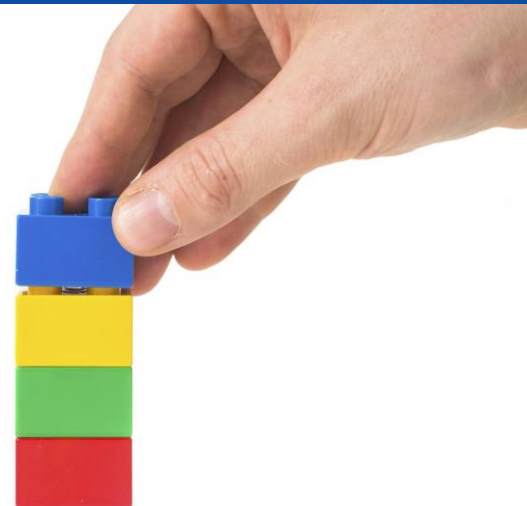
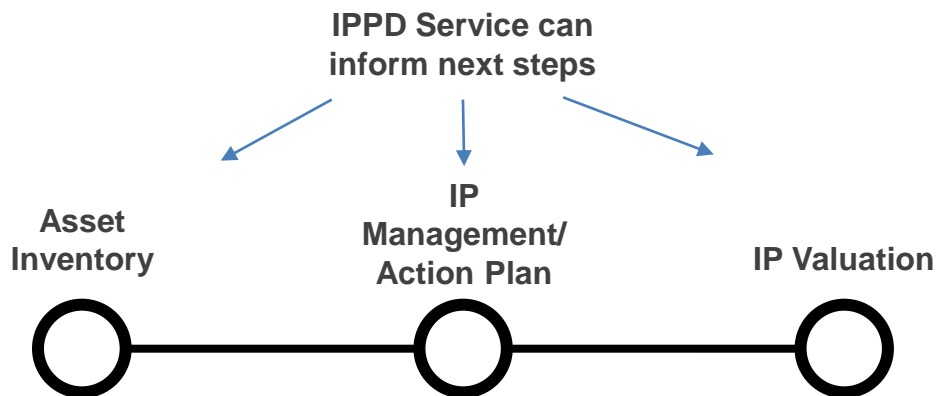
Important to factor in registered IPR costs etc

Bogus registries

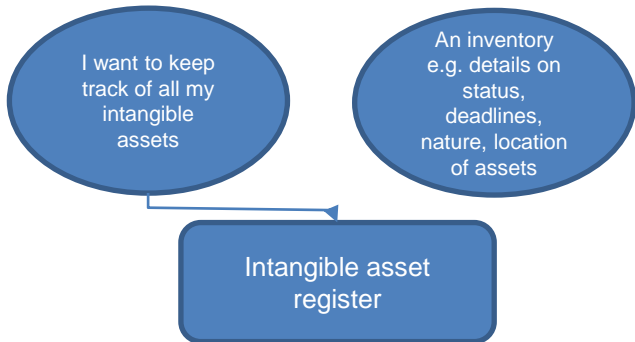
You may start to receive unsolicited mail requesting fees to maintain IP rights

STEPS TO MAXIMISING THE VALUE OF IP

- Identify and describe value-producing intellectual property and intangible assets
- Routinely consider how IP management could be improved
- Quantify the value that the assets represent



IP INVENTORY



*Free tool to help identify IP and IA
Goldseam
www.inngot.com



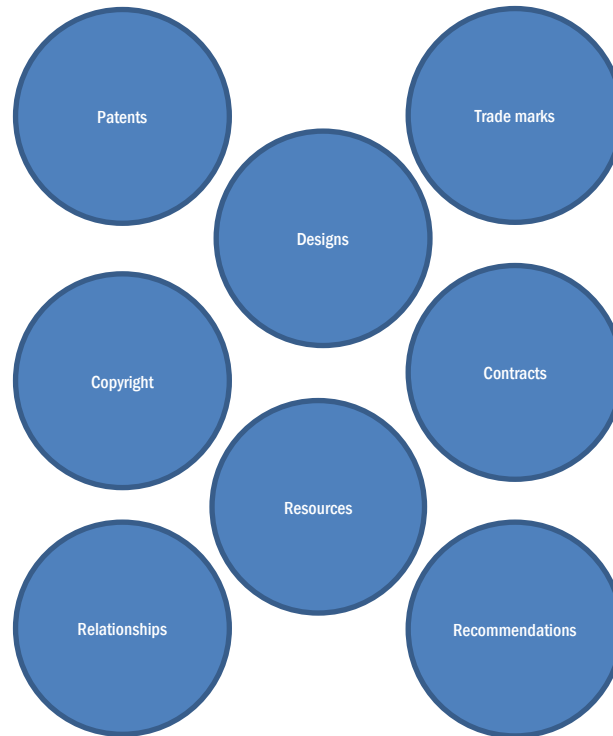
Asset	Date created	Description	Where located / stored	Type	Original IP creator and owner	Rights via
Photos of team on away day	4 th June 2016	Photographs used on website and in marketing materials	F Drive	Copyright	Event Photos SG	Contract (assignment signed 20 th June 2016)
Trade Mark SG12334334 Classes 9 and 35	16 th Mar 2014	Company logo in greyscale	SG TM SG12334334	Trade mark	Internally owned. Drawn by employee	Employment
Service agreement	8 th Feb 2016	Key contract with XXY to supply our services	Filing cabinet 1 Draw 2	Contractual	Internal	

Summary

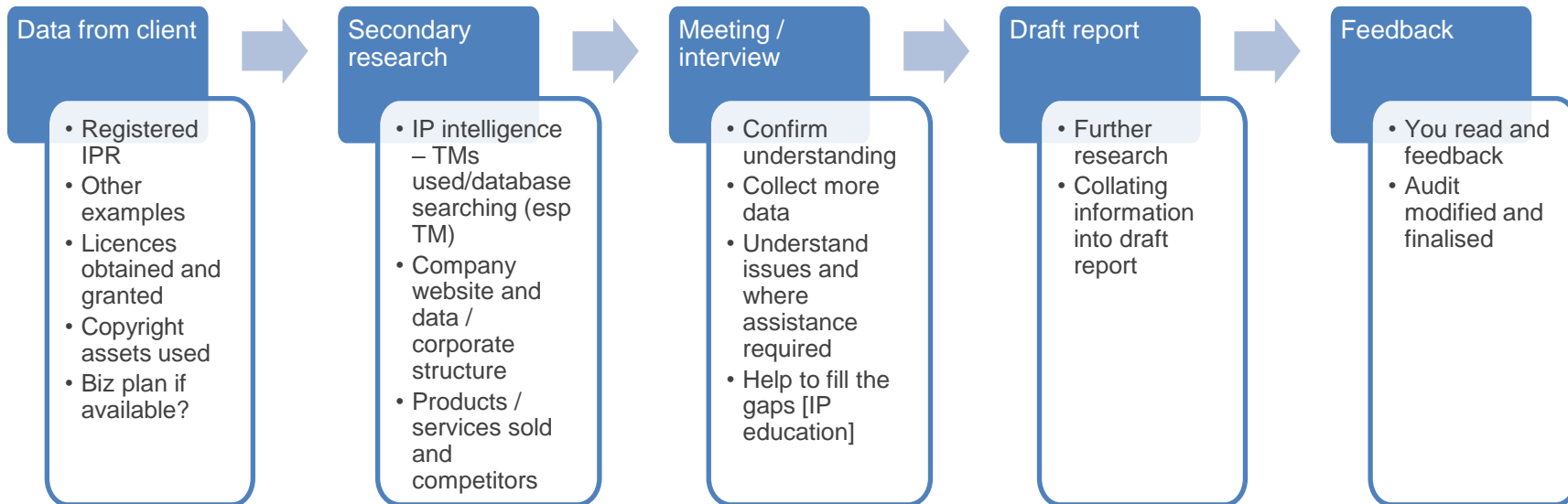
An example of just one use of IP – raising finance - there is an increasing appreciation among all kinds of financiers of the vital role IP plays in driving business value

Essential to understand **what** assets are present have, **how** these produce value, and **how much** to use them constructively in negotiations

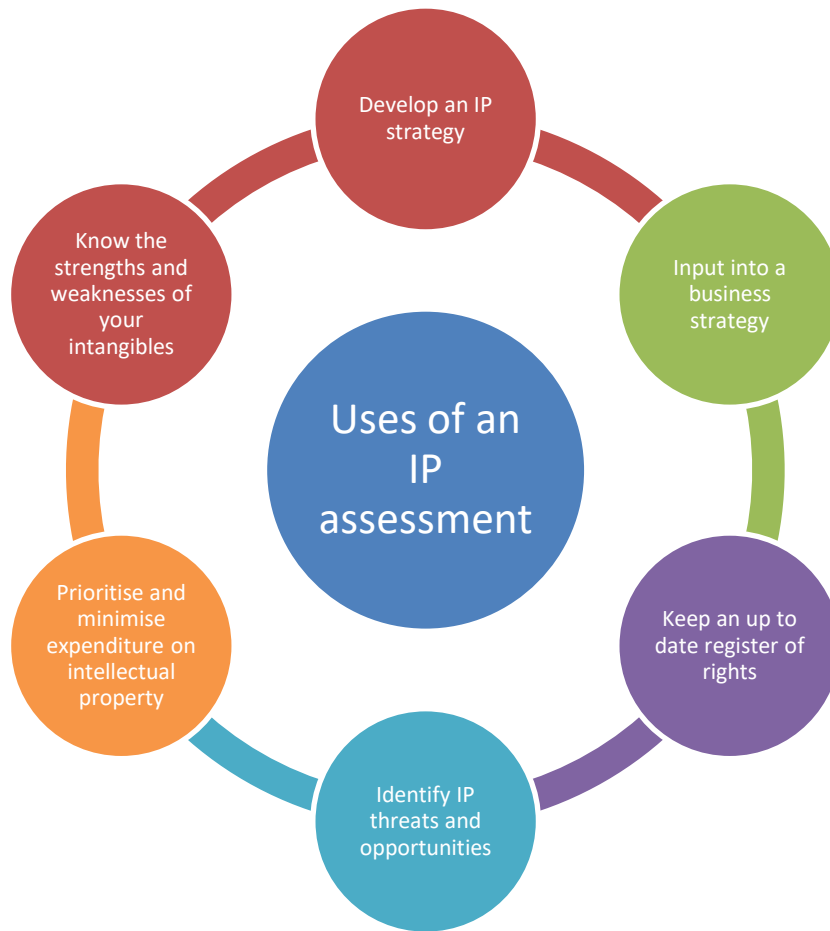
Of course, the same applies to licensing, collaboration, exits and any other uses, which we will discuss later in the session



TYPICAL 'JOURNEY'



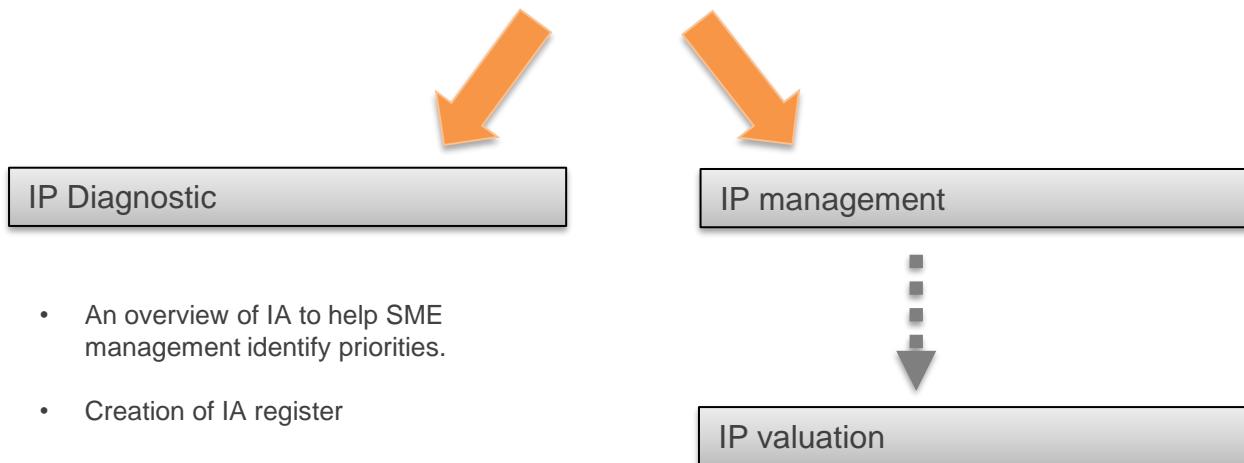
USES OF IPPD*



*Not drafting applications/contracts

ONLINE TOOLS TO HELP WITH IP 'PREDIAGNOSTIC' AUDITS

“An IP audit allows a firm to gain a clear picture of a company’s **IP assets** to ensure that it is able to manage its own IP and develop an effective management plan or strategy to run and grow the business.”



INGOT TOOLS

We are best known for our innovative online platform: it hosts a toolkit for **IP discovery (Goldseam), diagnosis (Appraise) and valuation (Sollomon)**

It provides a consistent, standardised method of IP assessment (can be used as a standalone tool by companies/business advisers...)

Over £800m/EUR930m of 'hidden value' found for SMEs using our systems

A £250k Innovate UK award is helping us source the data needed for new **IP-backed lending** solutions

We are UK-based but operate internationally

We have produced a range of influential research on IP identification, valuation and financing...

We provide **specialist IP services** like IP audits and technology evaluation reports & training (masterclasses/accelerators)

sollomon

Reference: DSKT-BYLR-WTAQ-IMJF
Date issued: 20-03-2019
Time issued: 2:36 AM
Version: 4
The current status of this valuation is: **AMBER**

IP Valuation

Value contribution:	£2,441,000 - £3,303,000 <small>*Based on an income calculation</small>
Cost equivalent:	£2,177,000 - £2,213,000 <small>*Based on a reproduction cost calculation</small>
Invested value:	£2,246,000 - £2,483,000 <small>*Based on a cost amortization calculation</small>
Valuation currency:	Pounds Sterling
The status of this report is:	AMBER <small>*See following pages for more details on the basis of calculation</small>

Organisation Details

Icon: Name, type, number, website: Innovat Limited
Full name: Innovat Limited
Type of organisation: Innovat Limited
Registration number: Innovat Limited
Website: Innovat Limited

Activity Sector

Icon: What the organisation does: Innovat Limited
Registered supersector: Innovat Limited
Registered sector: Innovat Limited

Name of Innovation

Icon: Test for Rouse

Description

Icon: Key aspects and details

Navigation Menu: Copyright, Contracts, Resources, Relationships, Endorsements

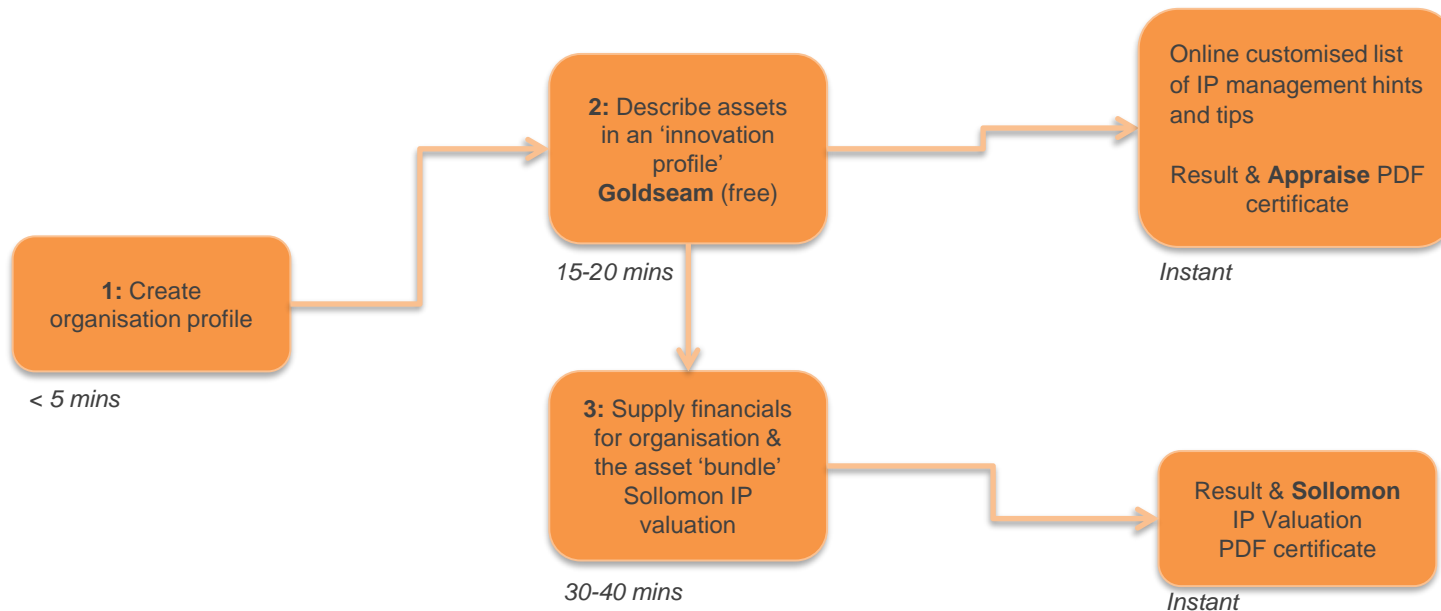
Available Assets:

- Artistic works: Icons, graphics, photographs, sculpture, collage, engraving and carving, work, includes architectural designs (buildings or model buildings) and craft-based work
- Broadcasts: Past and future scheduled public transmissions (by any means, including radio, television and online)
- Derivative works: Translations, adaptations and collections of original works
- Dramatic works: Original performances, including drama, dance and mime
- Literary works: Original literary works

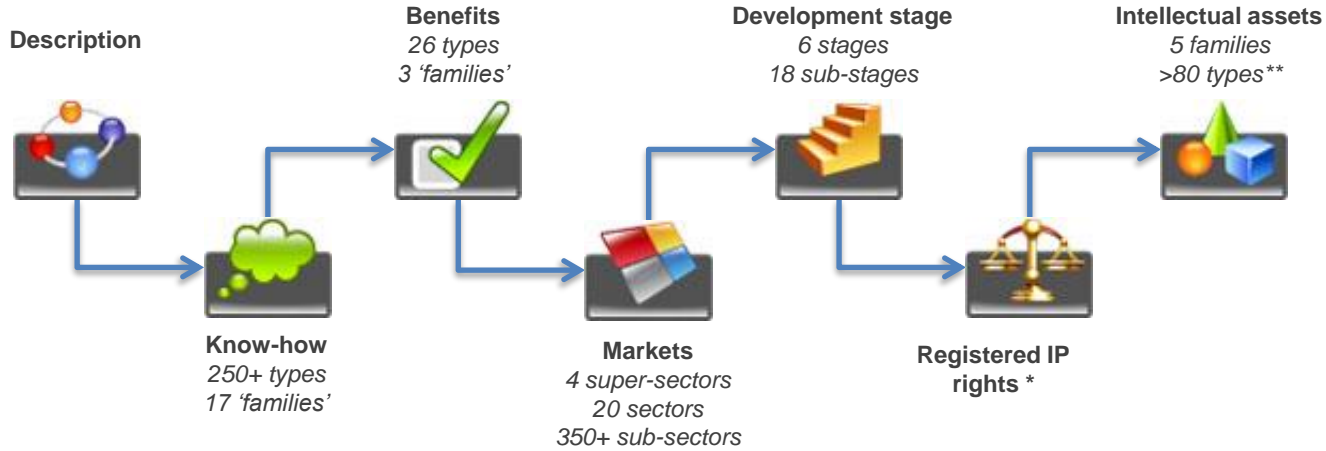
Selected Assets:

- Process documentation
- Software code
- Website (informational)
- Customer lists
- Test results
- Quality approval

FURTHER ONLINE TOOLS – AN OVERVIEW OF THE ONLINE PROCESS



Goldseam innovation profile



Helps you generate a standardised, comprehensive inventory

Patent families can be populated from one family member saving you time

** Constantly being updated based on new research

IP DIAGNOSTIC – YOU CAN USE GOLDSEAM TO CAPTURE IPR



Enter summary details of registrable intellectual property rights which have been granted, registered or applied for.

(If you don't have any, just click next)

Universal

Rights available in most countries

Trade mark

Patent

Design

Country-specific

Rights only registrable in certain countries

Copyright

Utility model

Geographical indicator

Selected registered rights:

Right type	Number	Title	Status	Activity date		
Trade mark	2507468	Carbonweave	Registered	Registration date : 16/10/2008	✓	✗
Trade mark	2507502	Modulus 9X	Registered	Registration date : 16/12/2010	✓	✗
Patent	WO2016198403	GLASS-FIBRE-REINFORCED POLYCARBONATE MOULDING COMPOSITIONS WITH IMPROVED TOUGHNESS	Published	Application date : 07/06/2016	✓	✗
Patent	TW201713724	Glass-fibre reinforced polycarbonate moulding compositions with improved toughness	Published	Application date : 07/06/2016	✓	✗

GOLDSEAM IP PROFILING TOOL – INTELLECTUAL ASSET SELECTION:

Copyright assets

As defined in law, but broken down to make them easier to understand, like software code

Contracts


Resources & relationships

- Assets that are 'built-in' to the offer, like trade secrets and proprietary processes
- Assets linked to knowledge and contracts, like specialist/technical know-how and licences


Endorsements


Evidence of acceptance, like awards and accreditations


General > Know-how > Benefits > Market sectors > Sub-sectors > Registered rights > Intellectual Assets > Summary


 Lastly, identify all the non-physical assets you believe to be relevant from each of the five categories below.


You are likely to have assets that fall into a number of categories. Click each icon to review the content and descriptions, then just drag the items you want from the 'available' to the 'selected' list or double click to select. Choose as many from each category as you consider relevant.









Copyright
Assets which attract automatic protection against copying, as defined in law


Contracts
Legally binding agreements which are currently in force


Resources
Internal, company-controlled assets that are integral to your offer



Relationships
External, non-contractual connections


Endorsements
Independent, external evidence of authorisation and/or approval

	Available
	Artistic works <small>Covers graphic, photographic, sculpture, collage, engraving and similar work. Includes architectural designs (buildings or model buildings) and craft-based works</small>
	Broadcasts <small>Past and future scheduled public transmissions (by any means, including radio, television and online)</small>
	Database right <small>Compilations of data held on computer gathered in the ordinary course of business and regularly updated (not including customer lists)</small>
	Derivative works <small>Translations, adaptations and collections of original works</small>
	Dramatic works <small>Original performances, including drama, dance and mime</small>
	Literary works <small>Wording created by the organisation to explain or promote its products, services or activities, such as blogs, presentations and website text.</small>
	Marketing literature <small>Information produced by the organisation (in print or electronically) that</small>

Available

Selected



→

←

↔

↕

Appraise report outputs = IP audit management points

Instant on screen report

- A personalised Action Plan (to IP profiled by Goldseam)
- Highlights risks requiring attention
- Information to help make most of your IP
- Tips on how to make IP stronger or more commercially stronger
e.g. What should you be doing to protect your IP, exploit it and generally getting your intangibles working harder on your behalf – e.g. Do you own your IP? Do you use NDAs (includes links to model templates)? Are you at risk of infringement? Can you protect rights better with registered rights? Information on international Systems
- Useful online layout that can be managed online and shared with work colleagues/business advisers
- Tailored precisely to your profile to make sure it is 100% relevant to your innovation challenges.
- Regularly updated, including for country use (specific national IP laws)

appraise

Your Appraise report contains three types of entry:

- ⚠️ Potential risks which may require your attention
- 💡 Other information to help you make the most of your IP
- ℹ️ Tips on how to make your IP stronger or more commercially successful

Your IP action plan for: Sollomon valuation methodology for IP & intangibles

Registered Rights

General Information [Hide All] ?

- ⚠️ Beware of unofficial registries! When your rights are applied for, published, registered or granted, you may receive a number of official-looking letters offering to record your rights in private, non-official directories. Unless the letter comes from National/Regional IPOs or is forwarded from your patent attorney, please check the validity of such letters () [Hide] [Done]
- ⚠️ Make sure you stay on top of all your registration, renewal or office action dates, otherwise you will lose valuable assets. Reminders are rarely sent by official offices, and missing a deadline can cause irrevocable damage. [Hide] [Undo]
- ⚠️ Have you considered what you will do if someone infringes your rights? And how will you find out whether anyone has? It is highly advisable to have a plan to deal with both points. [Hide] [Done]
- ⚠️ Don't forget to keep the registration authorities (like the Intellectual Property Office) advised of any changes to your contact details for correspondence, and tell them if you add or change information on your professional advisers - otherwise you could miss out on important reminders. [Hide] [Undo]
- ⚠️ Choose a reminder system based on your budget, the size of your registered IP portfolio and your organisation's internal IP knowledge. Options include instructing your patent attorney to take responsibility for date monitoring; contracting with a specialist firm to pay fees on your behalf when due; or managing deadlines internally with a calendar and reminder system. [Hide] [Done]

Trademarks [Hide All] ?

- ℹ️ Make sure you keep the status of your trade mark up to date on the Inngot system, so that you'll receive the right information from [Hide]

www.inngot.com/tools

Price - £95/approx
EUR110/Lari 360

* Regularly updated;
optimised for UK but country-
specific forms available

SOLLOMON IP VALUATION: SIMPLE AND CONSISTENT

Investment
5 questions
Use historical accounts and estimates




Forecasts
5 questions
3+ years' projections required



History
Up to 8 questions for trading businesses
Use historical accounts where applicable



Governance
'Hygiene factors'
3-5 questions



Reference: SLVZ-000M-WYTD-0000
Date issued: 22 Nov 2013 13:36:14 GMT
Version: 1
The current status of this valuation is: GREEN

Calculation Details
How Sollomon calculated the IP value indication

Sollomon uses the information provided to project cashflow over the life of the IP. It then applies a 'twist' from royalty principle and brings the value back to a present day estimate by discounting the cashflow, applying an appropriate tax rate and a weighted cost of capital calculation based on the business and IP characteristics.

The royalty rate most applicable to the organisations activities is: **3.25% - 4.25%**

This represents the average level of royalty currently being achieved through technology licensing. It provides the basis for calculating the benefit to the business of having the IP.

For the purposes of deriving a long-term value for the IP, we have assumed an effective tax rate of: **33.00%**

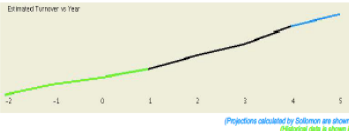
The weighted average cost of capital (WACC) applicable to the business is: **18.00%**

This calculates the annual cost of money on a blended equity and debt basis, based on the information provided.

Financial Forecast
Projected performance data entered for this innovation only (they may not be representative of the whole business)

	Year 1	Year 2	Year 3	Year 4	Year 5
ESTIMATE OF TURNOVER	2,890,000	3,125,000	3,550,000	4,150,000	4,440,000
DIRECT OPERATIONAL COSTS	900,000	1,000,000	1,250,000	1,400,000	-
MARKETING & LEGAL COSTS	400,000	400,000	500,000	500,000	-
CONTRACTED OR RECURRING INCOME	70%	80%	30%	20%	-

Estimate Turnover 10 Year



(Projections calculated by Sollomon are shown in blue)
(Historical data is shown in green)

This IP is believed to have a lifespan of 10 years
It is estimated that the maximum annual revenue will be achieved in 8 years
These figures do not assume further substantial investment to provide/develop and show no re-investment of profits
The estimated level of further investment needed to realise these figures is £ 300,000
The main area of expenditure is Capital Equipment.

Historical Data
Accurate financials covering this innovation, and summary of past business performance

TOTAL PAID TO ACQUIRE THIS IP:	£ 48,000
CURRENT VALUE OF ACQUIRED IP SHOWN ON BALANCE SHEET:	£ 38,000
TOTAL IN-HOUSE CAPITALISED R&D COSTS:	Not applicable
CURRENT VALUE OF IN-HOUSE R&D SHOWN ON BALANCE SHEET:	Not applicable
TOTAL IN-HOUSE EXPENSED R&D COSTS:	£ 585,000
TOTAL AMOUNT IN EXPENSED R&D COSTS:	£ 58,000
VALUE OF R&D TAX CREDITS CLAIMED:	£ 130,000

	Turnover	Gross Profit	EBITDA
MOST RECENT YEAR	£ 2,395,000	£ 1,413,000	£ 500,000
ONE YEAR PRIOR	£ 2,125,000	£ 1,165,000	£ 345,000
TWO YEARS PRIOR	£ 1,740,000	£ 860,000	£ 190,000

In the most recent year 100% of income was attributable to this IP
In the most recent year operational costs for products and services relating to this IP were £ 710,000
In the same period marketing and legal costs were £ 233,000

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Immediate report online ; all results checked/moderated offline

The indicative online tools: 'Sollomon'

Assets are captured and 'scored'

User completes a profile to identify registered and unregistered IP, other intangibles, markets, benefits, know-how and development stage

Financials are entered and 'scored'

Investment in IP development, historical trading performance, projected future incomes, 'hygiene factors'

Relief from royalty engine estimates risk-adjusted current value range

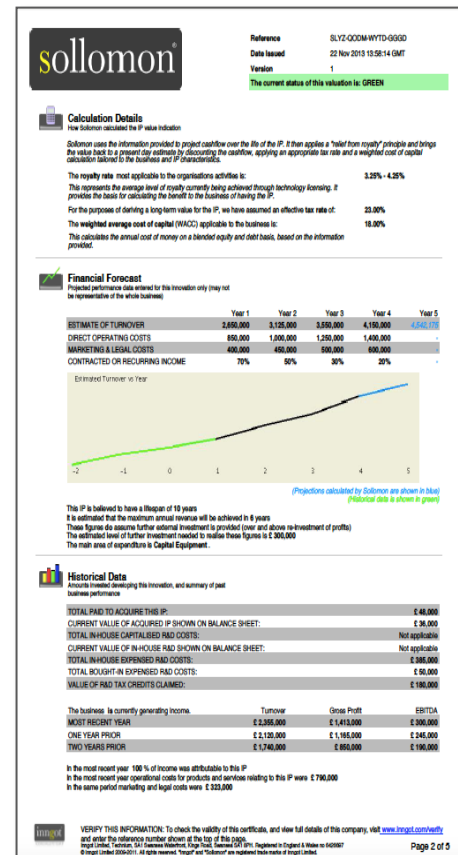
A well understood methodology; helps users by surfacing applicable licensing rates; capable of being driven from any good business plan

Cost Methodologies

Cost-based calculations using both a cost equivalent (reproduction) and invested value (amortisation) basis also provided in this single report. Used by banks as part of lending process to provide baseline view of current value of accumulated IP and intangibles expenditure,

Reports produced instantly, then moderated offline

- From approx £395/EUR 455/ Lari 1880
- Identified over £800/EUR 945M in hidden assets to date



sollomon

Reference: SLYZ-000M-WYTD-0000
Date Issued: 22 Nov 2019 13:58:14 GMT
Version: 1
The current status of this valuation is: GREEN

Calculation Details
How Sollomon calculated the IP value indication

Sollomon uses the information provided to project cashflow over the life of the IP. It then applies a 'twofold from royalty' principle and brings the value back to a present-day estimate by discounting the cashflow, applying an appropriate tax rate and a weighted cost of capital calculation based on the business and IP characteristics.

The **royalty rate** most applicable to the organisations activities is: **3.25% - 4.25%**
This represents the average level of royalty currently being achieved through technology licensing. It provides the basis for calculating the benefit to the business of having the IP.

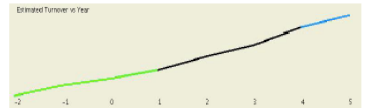
For the purpose of deriving a long-term value for the IP, we have assumed an effective tax rate of: **23.00%**

The **weighted average cost of capital (WACC)** applicable to the business is: **16.00%**
This calculates the annual cost of money on a blended equity and debt basis, based on the information provided.

Financial Forecast
Projected performance data entered for this innovation only (may not be representative of the whole business)

	Year 1	Year 2	Year 3	Year 4	Year 5
ESTIMATE OF TURNOVER:	2,800,000	3,125,000	3,250,000	4,125,000	4,250,000
DIRECT OPERATING COSTS:	800,000	1,050,000	1,050,000	1,400,000	1,400,000
MARKETING & LEGAL COSTS:	400,000	450,000	500,000	600,000	600,000
CONTRACTED OR RECURRING INCOME:	70%	90%	90%	90%	90%

Estimated Turnover vs Year



(Projections calculated by Sollomon are shown in blue)
(Historical data is shown in green)

This IP is believed to have a lifespan of 10 years
It is estimated that the maximum annual revenue will be achieved in 6 years
These figures do assume further external investment is provided (over and above re-investment of profits)
The estimated level of further investment needed to realise these figures is £ 300,000
The main areas of expenditure is Capital Equipment.

Historical Data
Amounts (Revenue, developing this innovation, and summary of past business performance)

TOTAL PAID TO ACQUIRE THIS IP:	£ 40,000
CURRENT VALUE OF ACQUIRED IP SHOWN ON BALANCE SHEET:	£ 98,000
TOTAL INHOUSE CAPITALISED R&D COSTS:	Not applicable
CURRENT VALUE OF INHOUSE R&D SHOWN ON BALANCE SHEET:	Not applicable
TOTAL INHOUSE EXPENDED R&D COSTS:	£ 98,000
TOTAL RECEIVED ON EXPENDED R&D COSTS:	£ 98,000
VALUE OF R&D TAX CREDITS CLAIMED:	£ 180,000

The business is currently generating income:	Turnover	Gross Profit	EBITDA
BEST RECENT YEAR:	£ 2,800,000	£ 6,450,000	£ 280,000
ONE YEAR PRIOR:	£ 2,125,000	£ 1,165,000	£ 245,000
TWO YEARS PRIOR:	£ 1,740,000	£ 850,000	£ 190,000

In the most recent year 100% of income was attributable to this IP
In the most recent year operational costs for products and services relating to this IP were £ 700,000
In the same period marketing and legal costs were £ 223,000

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A cost-effective way for any company to undertake an IP valuation for different purposes – as set out in session 2

Q&A

Any questions?



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საქართველოსთვის
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