

Developments in the Intangibles Space for Business Valuation

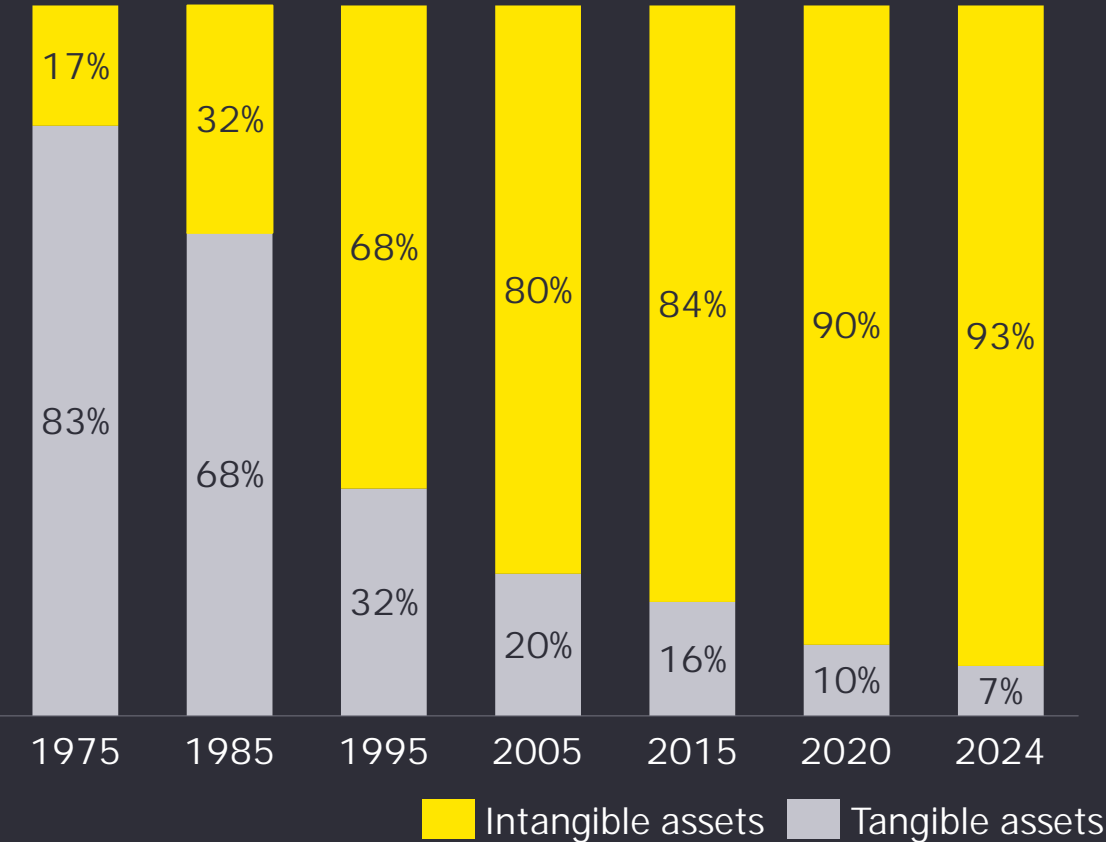
ValuAsia Connect: Intangible Assets Webinar

11 June 2024



Intangibles drive a significant portion of the S&P 500's market value

Intangible assets account for **93%** of the S&P 500's market value in 2024



Price-to-Tangible Book Value has increased significantly from 5x in 2004 to **13x in 2024**



Source: Ocean Tomo Intangible Asset Market Value Study, EY analysis

Source: S&P Capital IQ, EY analysis

SIPS 2030 supports enterprises in maximizing their IP value through various initiatives

In April 2021, Singapore launched the Singapore Intellectual Property Strategy 2030 (“SIPS 2030”). The objectives of SIPS 2030 are to grow Singapore as a global hub for IA/IP activities and transactions and maintain Singapore’s top-ranked Intangible Assets / Intellectual Property (“IA/IP”) regime to instill confidence in investors and innovators. SIPS aims to do so through various initiatives:



Source: IPOS

Strengthen Singapore’s position as a global hub for IA/IP

Launched IPOS Digital Hub in 2022 to support innovators and enterprises	Strengthen IP dispute resolution capabilities through various initiatives	Work with the ASEAN Patent Examination Cooperation and Global Patent Prosecution Highway to strengthen regional and global IP linkages
---	---	--

Attract & grow innovative enterprises using IA/IP

Launched GoBusiness IP Grow in 2023 to provide enterprises better access to professional IA/IP services	Developed IA/IP disclosure framework (IDF) in 2023 to help enterprises better communicate value of IA/IP	Develop IA/IP valuation guidelines to develop a credible and trusted IA/IP valuation ecosystem
---	--	--

Develop good jobs and valuable skills in IA/IP

Work with Institutes of Higher Learning (IHL) to support key innovation sectors in Singapore and develop executive training programmes to help executives appreciate value of IA/IP	Work with stakeholders in key innovation sectors to integrate IA/IP skills into job roles, map career progressions & identify training needs (e.g. through Skills Framework for IP)	Develop nationally recognized standards and certification programmes for IA/IP management that can be adopted by industry
---	---	---

Intangibles Disclosure Framework (IDF) helps businesses better communicate IA information and secure a competitive edge

Overview of SIMM Framework

- IA reporting remains at a nascent stage globally and there is room for improvement in amount of IA information being disclosed beyond financial reporting requirements.
- The IDF outlines principles for businesses to disclose and communicate their IA such as brand value, patents or registered designs in a systematic and comprehensive way.
- IDF is based on SIMM, which is anchored upon 4 pillars as follows:



Strategy

Disclose how intangibles contribute to business, strategy and financial planning where such information is material.



Identification

Disclose the nature and characteristics of the intangibles that fit into the definition provided, and categorise them.



Measurement

Disclose the performance metrics and drivers used to assess an enterprise's intangibles where such information is material



Management

Disclose how an enterprise identifies, assesses and manages risks and opportunities of its intangibles

IDF supports the disclosure of consistent information about a company's IA, so that enterprises may be able to better inform stakeholders how their unique portfolio of IA protects their products and services and contributes to overall business revenue and profits.

Development of IA/IP valuation guidelines will enable valuers and enterprises to better assess the value of IA/IP, given the unique nature of IA/IP

- Unlike tangible assets whose returns hinge on their physical attributes, IA/IP do not have physical substance and derive their value from their unique characteristics. This gives rise to several challenges when valuing IA/IPs:

More difficult to protect as no physical substance	Unlike tangible assets which have a physical form, IA/IP do not have a physical form, which makes it more difficult to protect and enforce the IA/IP rights.
Complex characteristics of IA/IP	Characteristics of IA/IP are complex, technical and not easily understood. The pace of technological advancements has also resulted in generation of new types of IA/IP (e.g. AI). As a result, it may be difficult to estimate the future economic benefits generated by the IA/IP and its risk profile to determine the value of the IA/IP.
Difficult to determine economic life	The returns that can be generated by IA/IP tends to be correlated with its economic life. However, it can be challenging to determine the economic lives of IA due to uncertainties related to technological advancements, market dynamics, and the evolving nature of industries.
IA/IPs are highly affected by market volatility	IA/IP characteristics are often affected by external factors such as market dynamics, leading to significant fluctuations in the returns generated by IA/IP over short periods of time.
Estimation of future cashflows from IA/IP is highly judgemental	Given the unique characteristics of IA/IP, significant judgement is required to estimate the future economic benefits/cashflows from the IA/IP.

To establish credible IA/IP valuations, it is crucial to develop IA/IP valuation guidelines that can provide practical guidance when valuing IA/IP.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2024 EY Corporate Advisors Pte. Ltd.
All Rights Reserved.

UEN 201911025K

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

