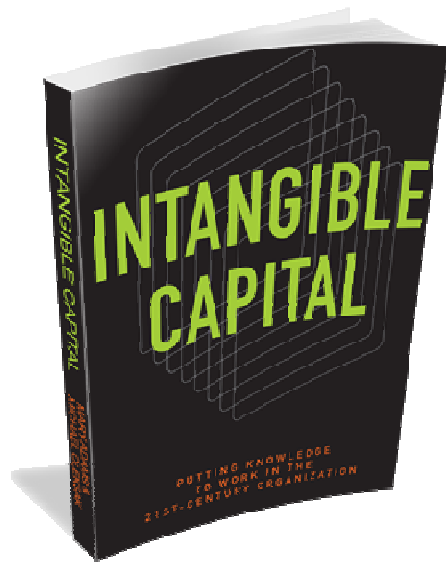


The Exit Planner's Guide to Building Corporate Value

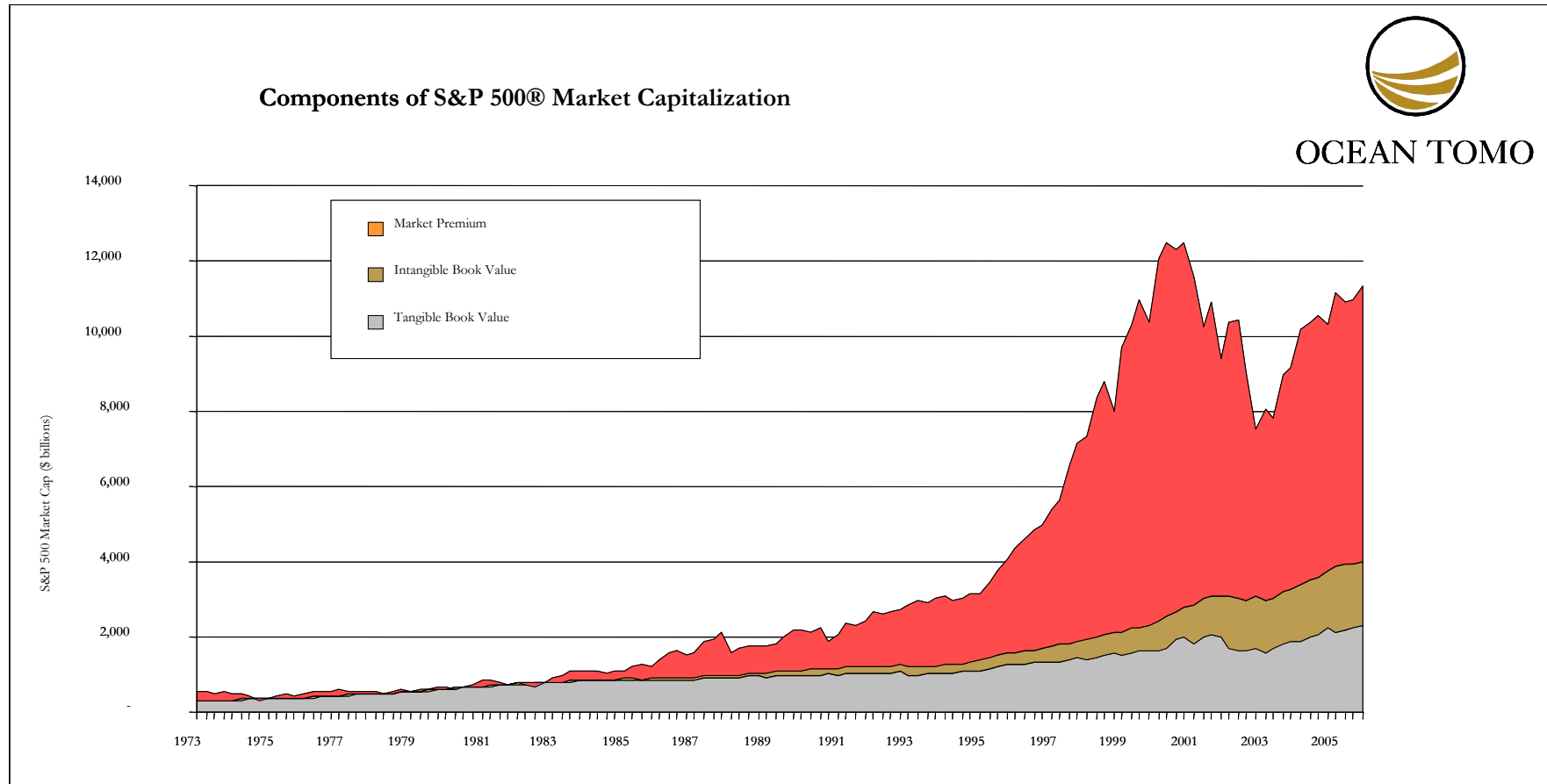


***How to become
an intangible
capitalist***

Mary Adams
I-Capital Advisors

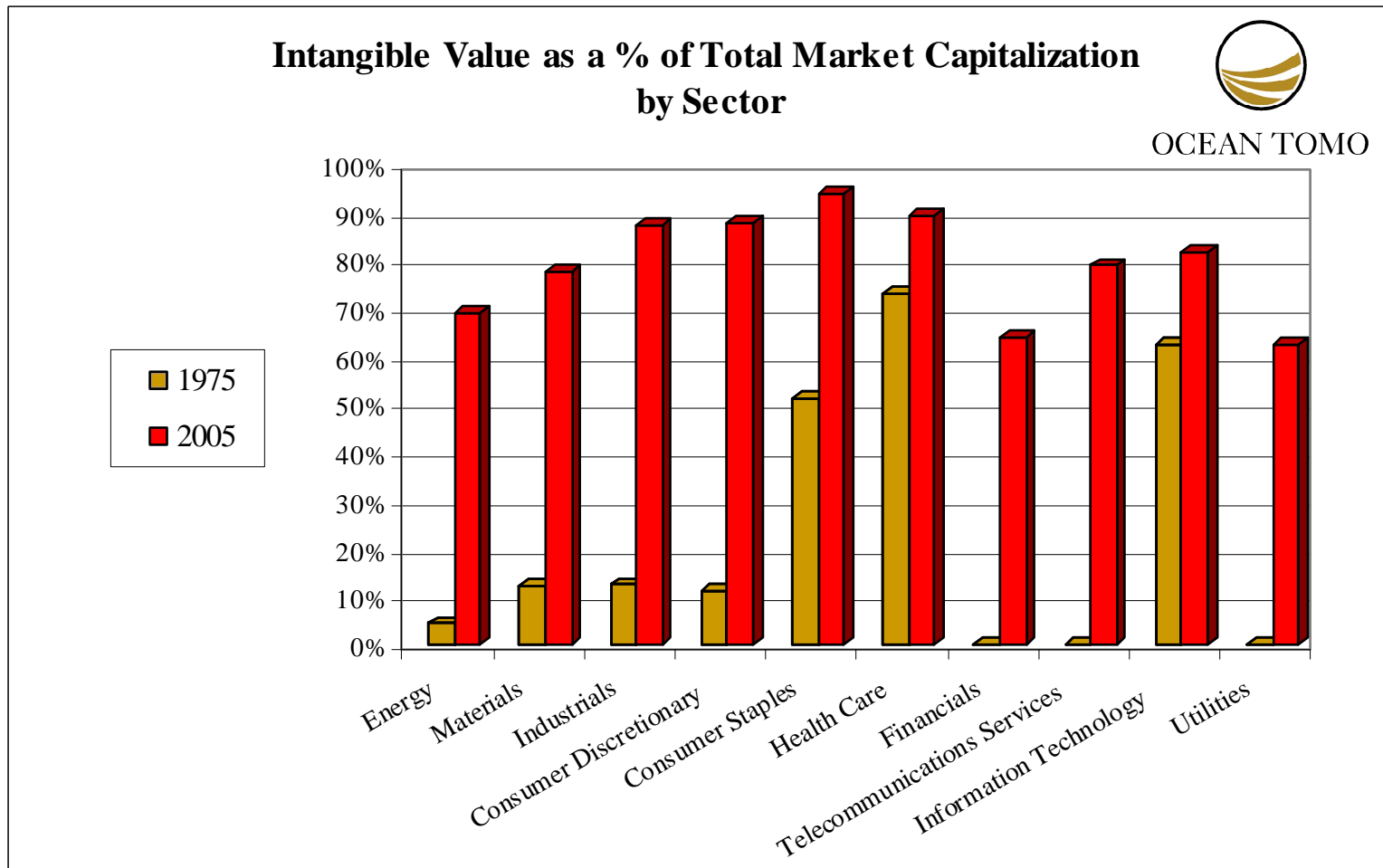
Download slides: slideshare.com/maryadamsica

Corporate value is increasingly intangible

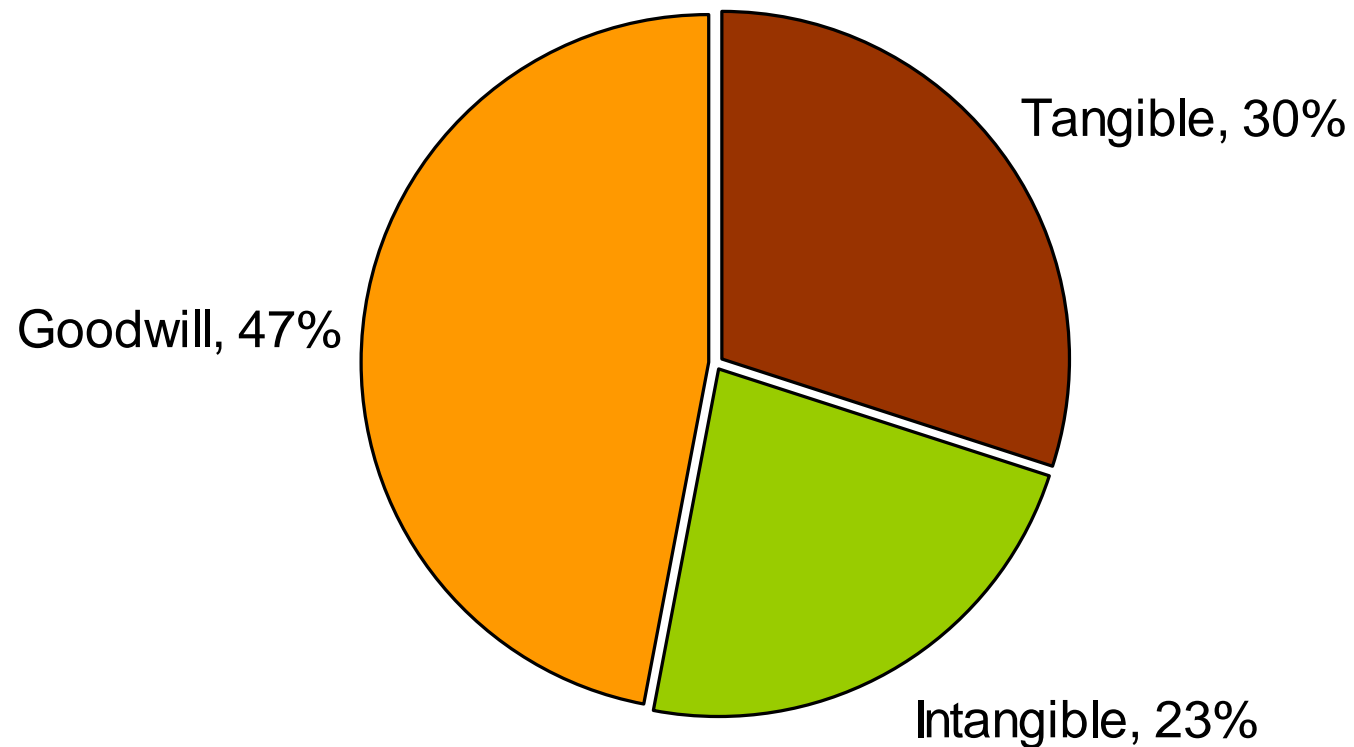


Research: Ned Davis

This change touches all sectors



A similar breakdown in mergers

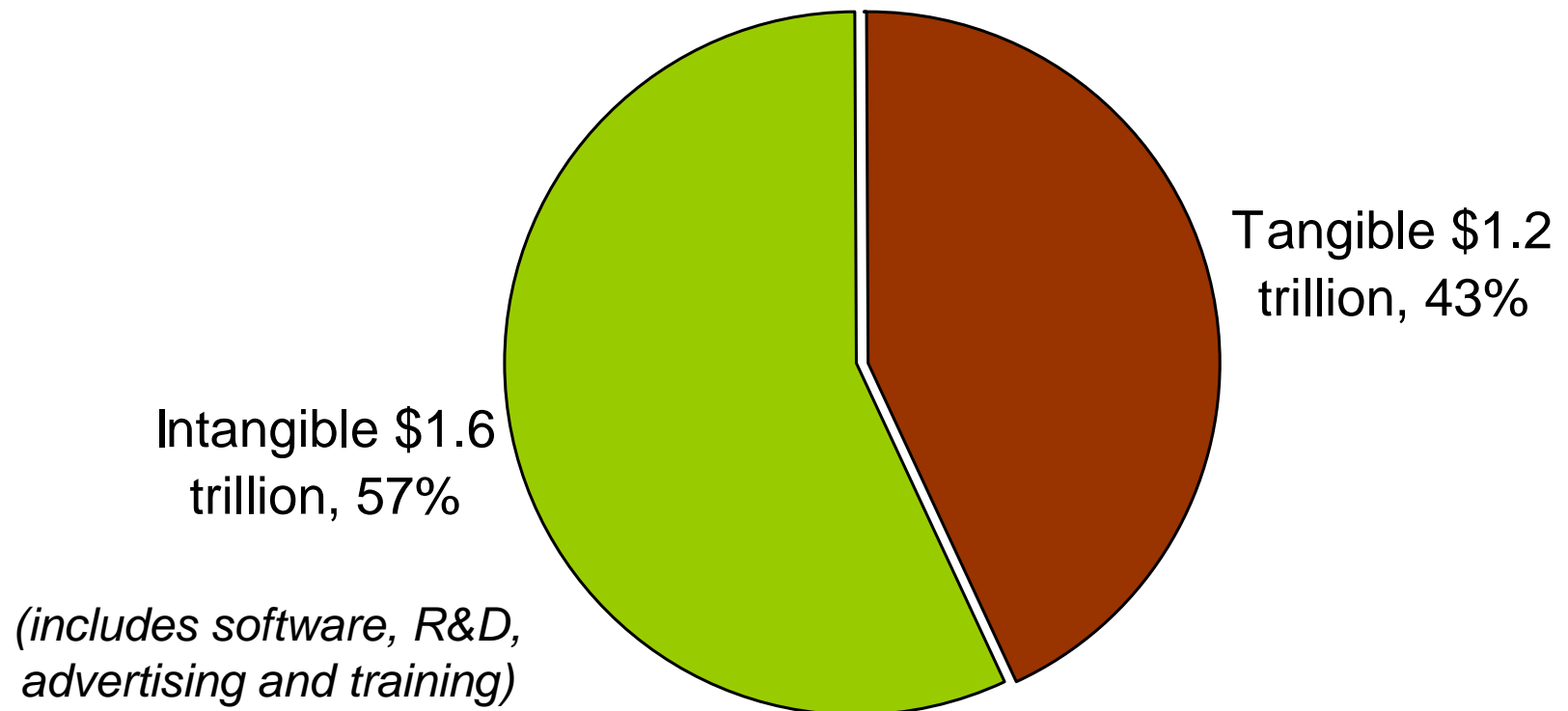


E&Y: *Acquisition Accounting – What's Next for You?*
Global sample of 700+ mergers in 2007

The gap is not “goodwill”

- This large amount of intangibles in business is not the result of some abstract market “feeling”
- It is the result of 30+ years of investment in the knowledge infrastructure of American corporations (people, processes, info tech, networks)
- Annual investment in knowledge intangibles now exceeds tangible investment.....

U.S. corporate investments - 2007



Business Week, October 29, 2009 (using unpublished data from Corrado, Hulten and Sichel)



Intangible Capital

**Knowledge
Assets**



Human Capital

**Competencies
Experience
Management
skills**



Structural Capital

**All captured
info and
knowledge
Processes
Intellectual
Property**



Relationship Capital

**Customers
Vendors
Partners
Brands
Reputation**

IC approaches to increasing value

1. Identify key intangibles

→ *one day*

2. Describe/measure them

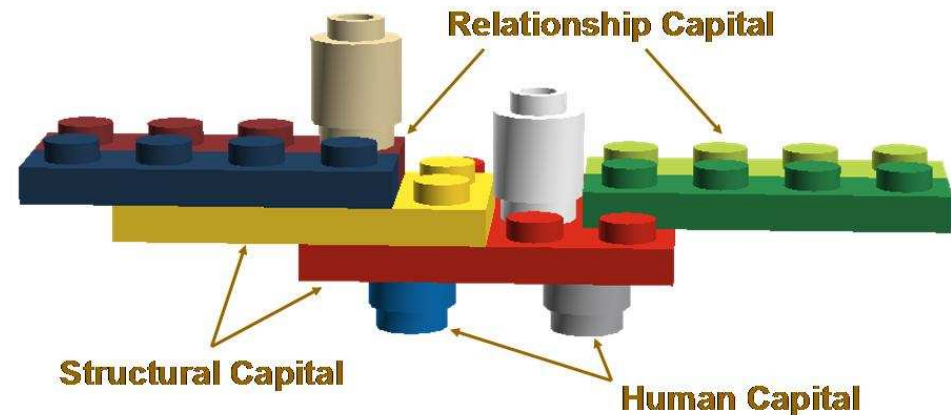
→ *one week to two months*

3. Improve performance and value

→ *six months to six years*

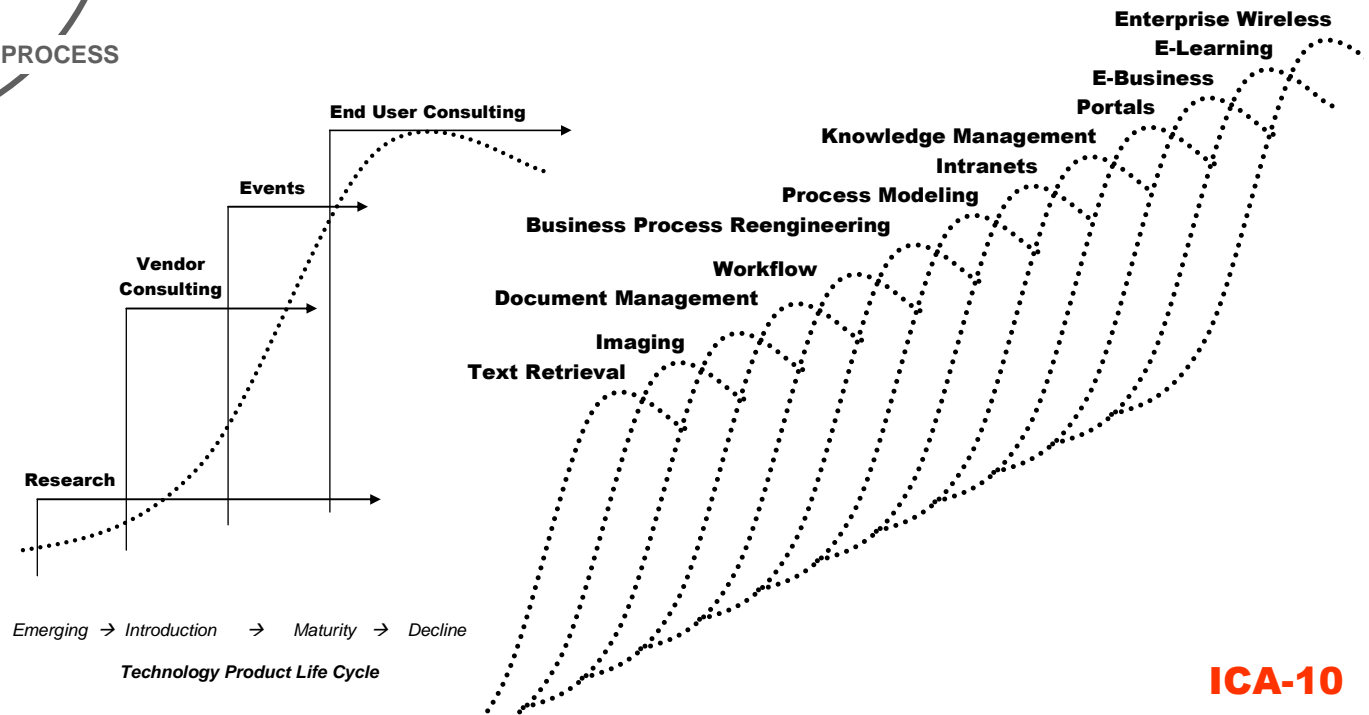
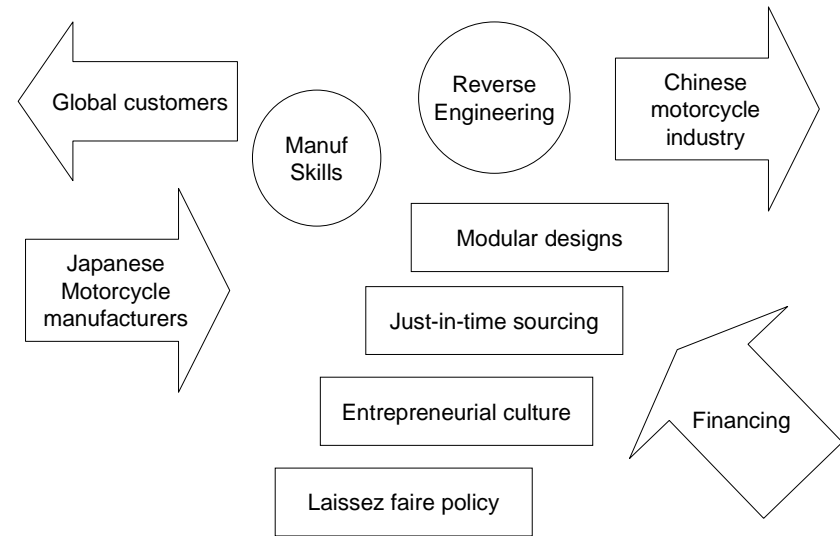
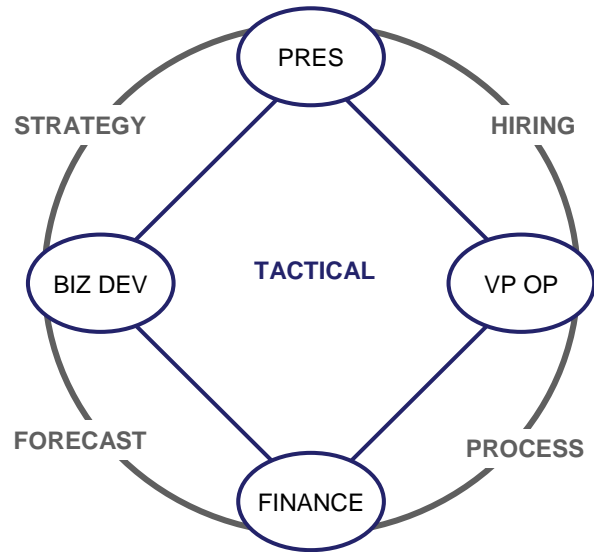
1. Identify

- Take inventory for each category
- Pay special attention to structural capital
- Create visualization of how they fit together



from "you can grow like Google" on YouTube

...more visualizations



2. Measure (*why bother?*)

PwC provided different reports to two groups of analysts:

1. Financial statements, narrative, a few key metrics and extensive quantified nonfinancial data [*full Coloplast annual report*]
2. Stripped out quantified nonfinancial data [*resulting report still similar to/better than market norm*]

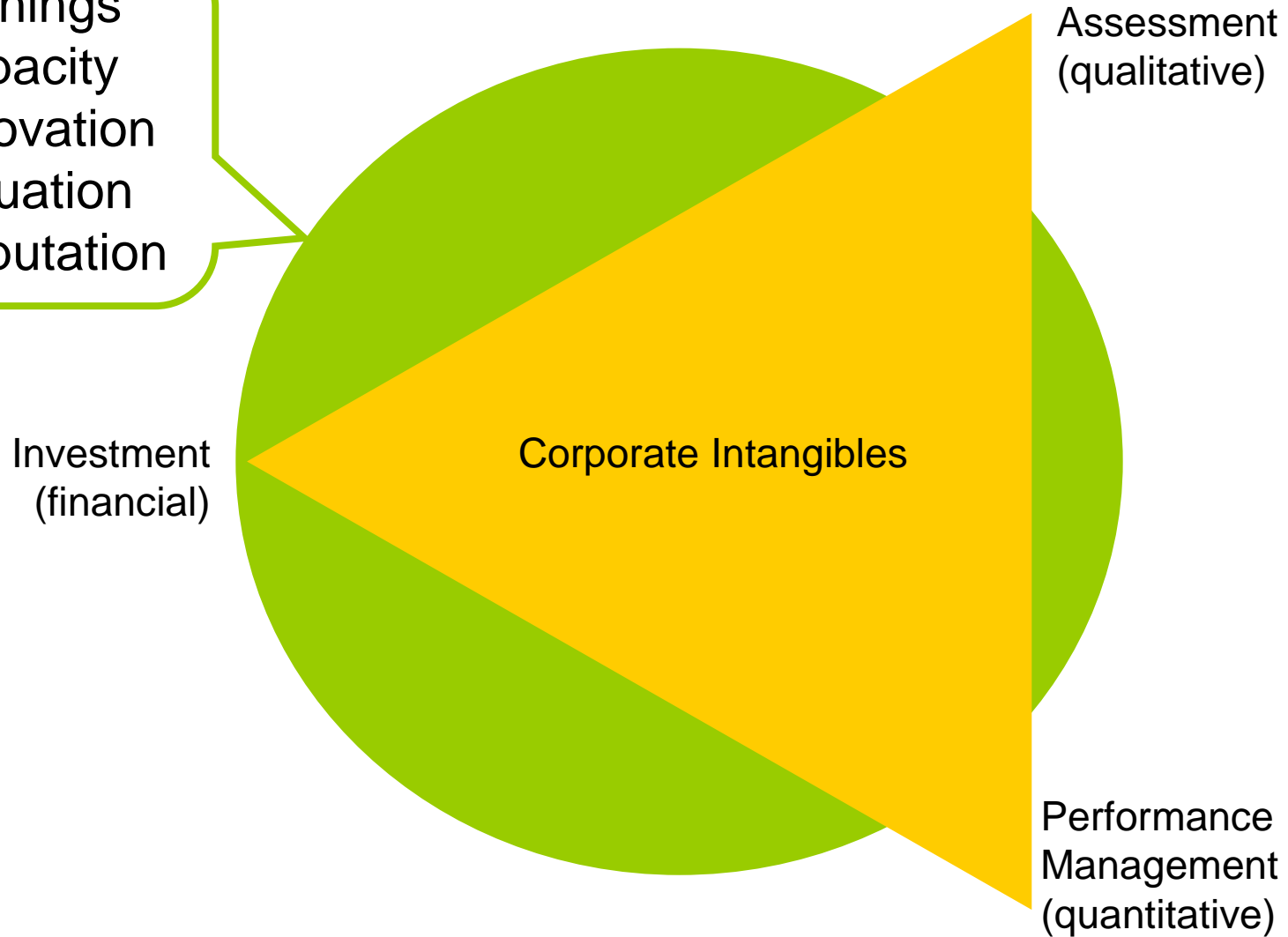
Very different results:

1. 60% of analysts recommended “buy”
→ *earnings estimate lower but more consistent*
2. 80% recommended “sell”
→ *earnings estimate higher*

Source: <http://corporatereporting.com/benefits-reporting.html>

Triangulating intangibles

- Earnings
- Capacity
- Innovation
- Valuation
- Reputation



What to measure in private co's

- Human Capital
 - *employees, management, succession*
- Relationship Capital
 - *customer base, sales and marketing, non-customer relationships, brand(s)*
- Structural Capital
 - *processes, systems, intellectual property*
- Strategic Capital
 - *business model, external conditions*

3. Value challenge

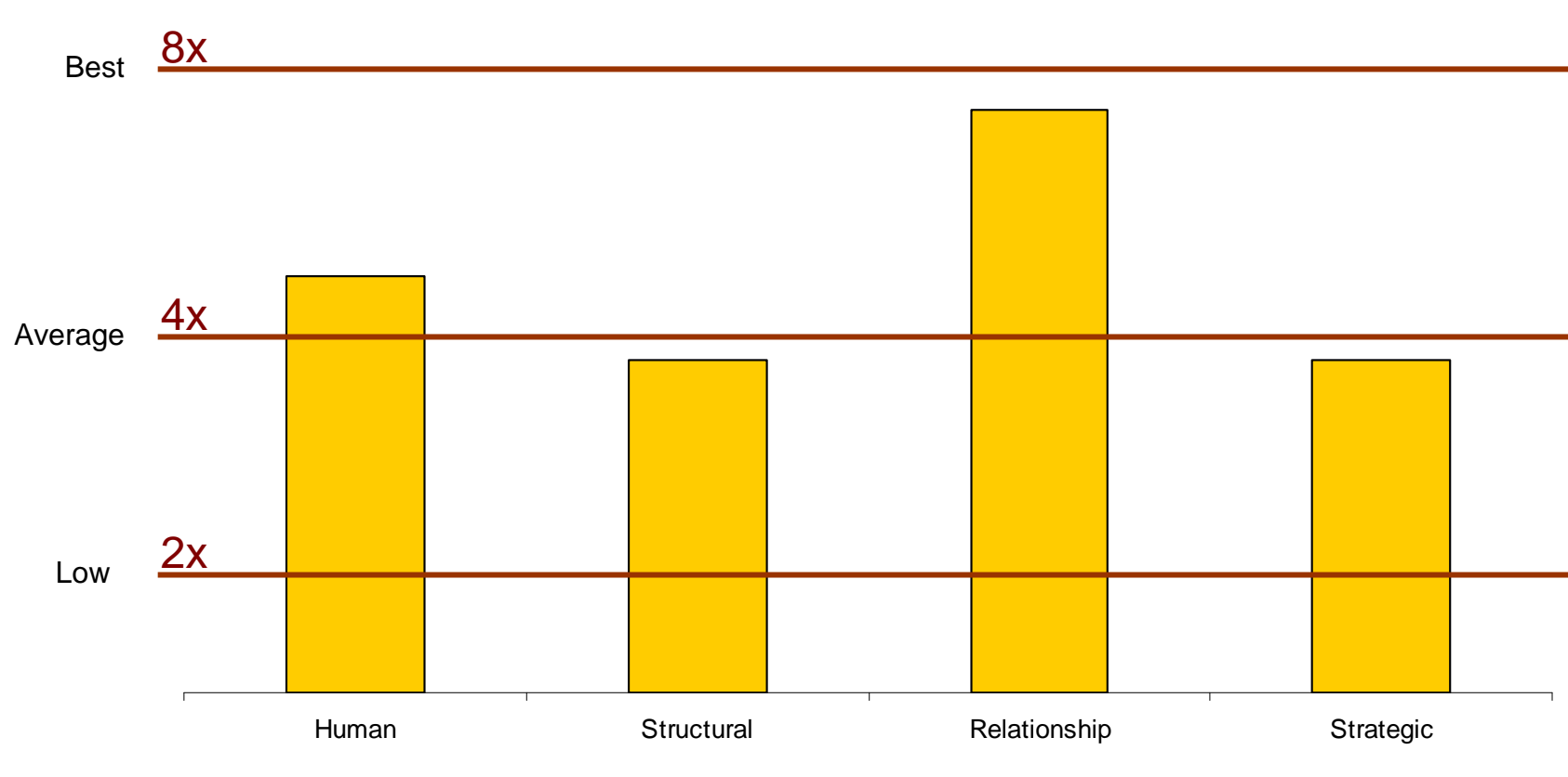
*Companies in my industry
trade at 2-8 times EBITDA...
that means **my company** is
worth 8 times EBITDA*



Value map

1. Assess how the company compares with its peers for each IC factor (*below, average, above*) ideally using stakeholder interviews
2. Look at expected value ranges in peer group (*below, average, above*)
3. Highlight the gaps and opportunities
4. Develop and execute value building plan

Map multiples against IC



Examples of increased value

- Increased growth and innovation
High-end consulting firm doubled in size
- Optimized performance
Healthcare product revenues grew with lower headcount investment
- Higher valuations
Tech firm sold at a premium to market
- Great reputation
Engineering firm doubled key hourly rates

Resources

Slides at *slideshare.com/maryadamsica*

Newsletter: *Management 2.0* last Tues of month

Book: www.intangiblecapitalbook.com

Community: www.icknowledgecenter.com

Blog: www.smartercompaniesblog.com

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