

Priceless thinking

Valuing intangible media assets for confidence

Grant Thornton's latest media sector report benchmarks acquisitions by UK media companies quoted on the London Stock Exchange Full List and AIM and private companies applying IFRS and addresses:

1. Business combinations

what assets are being identified in media businesses and how these are being valued

2. Deal structures

how deals in the media sector are being structured to provide maximum return

3. The financial reporting landscape

of business combinations of business practice from the perspective of standard setters and regulators

Key findings



- The value of intangibles separated from goodwill as a % today compared to our 2010 study; overall has dropped from 45% to 40.5%.
- Customer relationships are the biggest identified intangible asset followed by brands.
- Over 75% of media M&A deals had some form of deferred consideration as part of the overall structure.

- Encouragingly for the reader of accounts, most companies have sought to identify intangibles, rather than leave everything in goodwill.
- Development of custom and practice within sub-sectors, the influence of the FRC Conduct Committee and a greater informed challenge from auditors have all played their part.

Key intangibles acquired as a % of total SIIA*

| | Advertising & marketing services | Communication services | Entertainment | Publishing |
|------------------------------|----------------------------------|------------------------|---------------|------------|
| Customer relationships | 3.0% | 72.0% | 5.0% | 11.0% |
| Brands | 1.0% | 0.0% | 8.0% | 3.0% |
| Non competes | 0.0% | 0.1% | 1.6% | 0.3% |
| Software/ | 0.3% | 0.3% | 4.7% | 1.6% |
| Artistic related intangibles | 0.0% | 0.0% | 15.1% | 0.8% |
| Other SIIA | 22.5% | 0.0% | 2.8% | 23.6% |
| Total SIIA | 33.9% | 72.8% | 37.7% | 40.9% |
| Balance of IA - Goodwill | 66.1% | 27.2% | 62.3% | 59.1% |

115 deals

The right advice



Why valuations are important

All businesses should have robust procedures in place to deal with intangible asset valuations to:

- comply with IFRS financial reporting requirements
- ensure that investors and readers of financial statements understand the nature of assets being purchased during acquisitions.

However, valuation of intangible assets is that not straightforward and is quite subjective, based upon an assessment of the future value to be derived from exploiting the assets.

Valuations in media are particularly important because:

The media industry is more likely than most to have intangible assets forming a significant proportion of purchase considerations due to its reliance on people and content.

As the economy improves and M&A activity is on the increase, focusing on what media owners are actually buying, the intangible assets, increases in importance.

For a copy of the full report please contact:

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Why is this relevant for your business?

A properly executed valuation will provide you and your investors with greater confidence regarding assets being acquired.

How we can help

Media valuations require specialist skills with an appreciation of the uniqueness of the creative sector. At Grant Thornton, our specialist Media team can provide full valuations advice and wider advisory services through the entire transaction cycle.

Find out more about the full breadth of services our media practice provide to help media clients unlock their potential for growth. Visit www.grant-thornton.co.uk/media

