

CASE STUDY

IP Apportionment Analysis for Grocery Wholesaler



THE ISSUE

Management wanted to know how its investments in IP were contributing to the company's overall performance

ISSUES ADDRESSED

Brand Valuation	IP Apportionment
Copyright Valuation	Strategic Analysis
Software Valuation	Technology Valuation

THE CHALLENGE

Fruits and veggies aren't the only things that have to be fresh if a company is going to make a splash in the increasingly competitive food service and distribution industry. One family-owned wholesaler of local produce and specialty food items knew that they would need to up their game if they were going to continue establishing a solid foothold with the restaurants in their booming metropolitan area. Embracing the concept of paperless technology and the importance of the growing digital marketplace, the company invested in developing efficient, data-driven inventory and distribution management systems to support their polished online catalog and growing social media presence. At the same time, they understood that being able to see and taste potential ingredients was an important hook for many of their chef customers, so they implemented a Mobile Farmers Market, dispatching a fleet of trucks to bring their products straight to their commercial clientele for purchase on the spot. Soon, business was booming. It was clear they were doing something right, but which of their tactics was for their success? Seeking to better understand their business and the impact of their IP investments, the Company turned to Nevium's financial experts to analyze their operations and help tease apart the myriad factors contributing to their profitability.

“... NEVIUM’S VALUATION ANALYSIS SHOWED THAT THE COMPANY’S IP ASSETS WERE IMPORTANT DRIVERS OF ITS SUCCESS, PROVIDING MANAGEMENT WITH KEY METRICS TO MONITOR THE BUSINESS AND IDENTIFY THE PRIMARY CONTRIBUTORS TO CONTINUED GROWTH ...”

Before the contributions of the Company’s website copyrights, proprietary systems, and other intangible brand assets could be accurately identified and considered, Nevium first had to examine the Company’s position within the marketplace and perform a classic business valuation. Research into peer company performance and industry financial benchmarks showed that the Company was achieving greater profitability and better operating metrics than comparable companies. Over the past several years, the Company had achieved a steady increase in revenue while maintaining a consistent gross profit margin, likely due in large part to its loyal supplier and customer bases, reputation for quality service, and continued investment in infrastructure and growth opportunities. Using a discounted future cash flow methodology, Nevium created a financial model to value the Company’s current operations and forecast its expected growth over the next decade as a going concern. With that foundation in place, Nevium prepared to face its primary challenge: how to determine the value of unique IP that is used only by the company that developed it.

NEVIUM’S SOLUTIONS

Traditional intellectual property valuation methods tend to rely heavily on analysis of comparable licensing agreements, the sale of similar assets, or the costs to develop them. However, due to the Company’s intended continuing status as a going concern and a lack of transactional data for appropriate comparables, these methods were unfit for the job in this case. Luckily, Nevium had a secret weapon in its valuation arsenal—the Apportionment Model. With its ability to identify the relative contribution of each specific asset to overall profits, this powerful tool allows owners obtain an understanding of the total value of their business, plus the values of each individual brand, copyright, patent, technology, or other intangible that it owns. By developing and applying apportionment charges developed under this model to the business valuation they had previously performed, Nevium’s experts were able to determine the fair

market value of each of the Company's intangible assets, revealing that the Company's IP was indeed a major driver of their earnings.

OUTCOME

Nevium's analysis provided the Company's owners with a thorough understanding of how its intangible assets were contributing to profitability, allowing them to connect their investments in proprietary technologies and social media-based branding to their better than peer-group financial performance. Grateful for their new tools to track business performance and inform strategic decisions, the owners thanked Nevium, proclaiming that "every business owner should know the valuation of their business as well as which IP and business activities are creating that value."

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