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IP Valuation- Mini Case study

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CASE STUDY: KingBio Plc

Reflecting upside potential and uncertainty

- When valuing an IP asset, it is important that one understands the upside potential and key risks attaching to the asset. Accordingly, **expected (i.e. probability-weighted) future cash flows** should generally be considered in truly understanding what the asset is worth.

- **CASE STUDY:**

KingBio Plc is a pharma/biotech company which is currently in the final stages of developing an innovative pre-filled syringe design for use with certain types of chemotherapy drugs. This device helps to reduce the overall cost of the drug to the patient, through efficiency in design and is simpler to use.

AHLpharma GmbH is a leading pharma company specialising in the development, production and marketing of generic pharmaceuticals. It has expressed an interest in purchasing the rights to the IP outright and has asked the CEO and CFO of *KingBio Plc* for their estimate of the value of the IP. The CFO has asked you to assist him in estimating the future cash flows that the exploitation of the IP can reasonably be expected to generate during its useful economic life. He will use your input in order to build a model to help him estimate the value of the IP.

- **REQUIREMENT:** List the key risk factors and uncertainties you would take into account in estimating the projected cash flows the exploitation of the IP might generate.