

Pensions conference 2011  
Stuart Whitwell, Intangible Business  
David Robbins, Deloitte



## Intangible asset securitisation

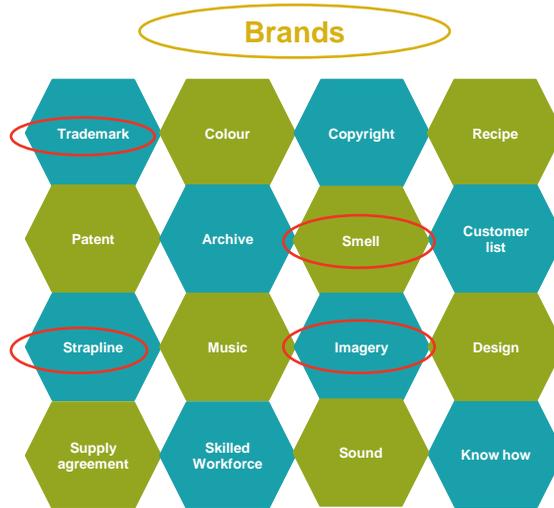
3 June 2011

---

---

## Intangible assets

## Brands are an amalgam of IP

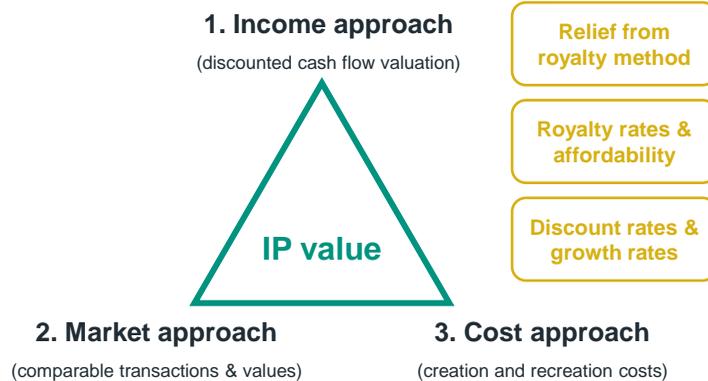


© 2010 The Actuarial Profession • www.actuaries.org.uk

2

## How is IP valued?

- Tailored approach but generally three main methodologies are used:



© 2010 The Actuarial Profession • www.actuaries.org.uk

3

# Suitability of intangible assets for pension schemes



## Using intangible assets for pension schemes

## How are assets typically used for pension schemes?

Charge over asset

Provides security but value is contingent



© 2010 The Actuarial Profession • www.actuaries.org.uk

6

## How are assets typically used for pension schemes?

Charge over asset

Provides security but value is contingent



Give asset to scheme

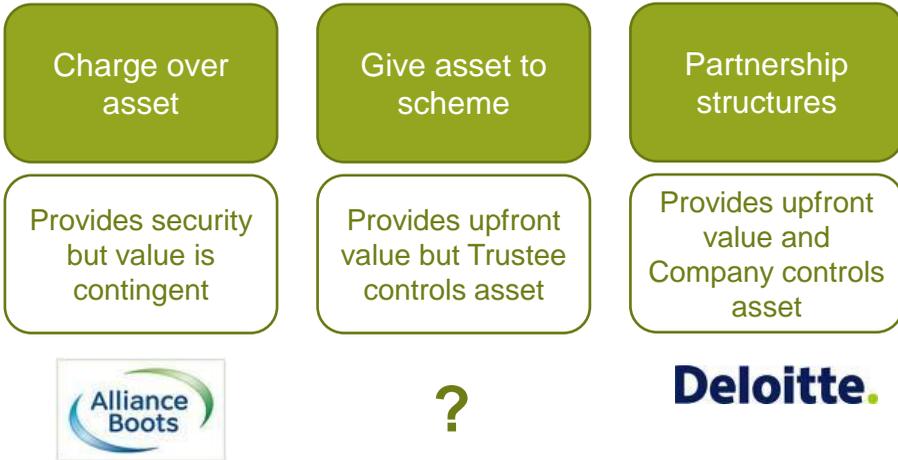
Provides upfront value but Trustee controls asset

?

© 2010 The Actuarial Profession • www.actuaries.org.uk

7

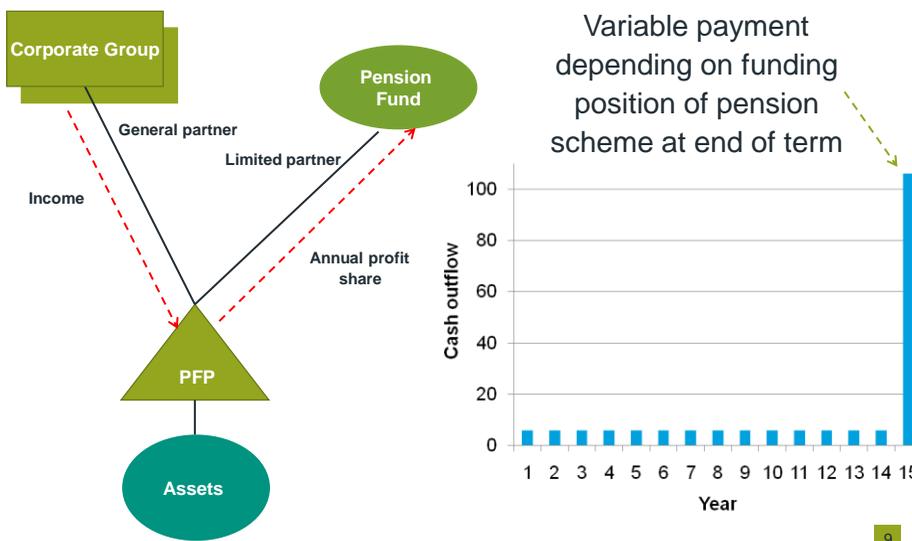
## How are assets typically used for pension schemes?



© 2010 The Actuarial Profession • www.actuaries.org.uk

8

## The Pension Funding Partnership (PFP) structure



© 2010 The Actuarial Profession • www.actuaries.org.uk

9

## Key issues for the company



10

## Key issues for the trustees



11

## Asset considerations

	Property	Inventory	Subsidiaries	Receivables	Brands
Generates income	●	●	●	●	●
Ongoing value	●	●	●	●	●
Value on insolvency	●	●	●	●	●
Ease of managing income	●	●	●	●	●
Ease of reviewing/managing value	●	●	●	●	●

© 2010 The Actuarial Profession • www.actuaries.org.uk

12

## Summary

- Could intangibles be the way forward?
  - Less companies owning property/land (e.g. Opco/PropCo structures)
  - Increasing use of intangible assets (e.g. for financial restructuring)
  - More intangible-based businesses
  - Increasing innovation in pension funding
  - Companies want to make use of their valuable assets
  - Companies want to preserve cash

© 2010 The Actuarial Profession • www.actuaries.org.uk

13

## Case study

© 2010 The Actuarial Profession • www.actuaries.org.uk

14

## Case study: TUI Travel plc

- The pension deficit reduction strategy utilising brand assets was driven by the company



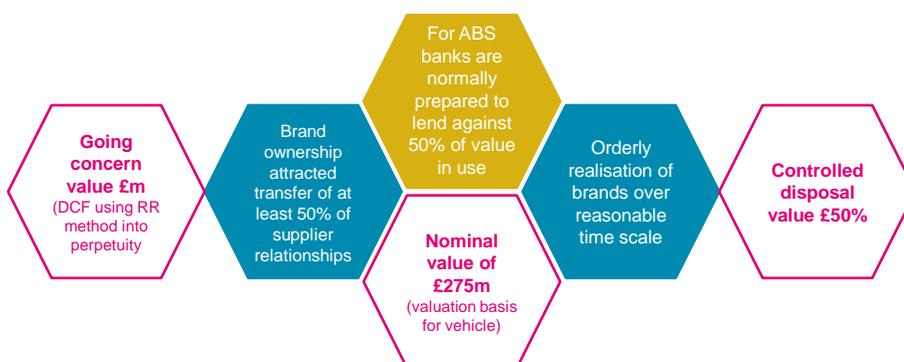
- Customer relationships
- Supplier relationships

© 2010 The Actuarial Profession • www.actuaries.org.uk

15

## Case study: TUI Travel plc

- Determination of going concern value vs. controlled disposal value



© 2010 The Actuarial Profession • www.actuaries.org.uk

16

## Case study: TUI Travel plc

### Key learnings

- Trustees did not initially understand the brand from a consumer behavioural perspective and had difficulty appreciating value in a distress scenario
- Deferred cash for immediate greater security of significance to trustees
- Defining the intangibles i.e. core and related assets
- Defining 'distressed value' in a managed controlled disposal (administration vs. insolvency)
- Importance of control mechanisms to monitor brand performance
- Ability to explain to the trustees the value of intangibles in a distressed situation
- From an investment point of view, investment advisers were not used to assessing risk on tailored specific non-liquid assets
- Involvement of a large number of professional advisers with differing perspectives has an impact on managing the project timeframe

© 2010 The Actuarial Profession • www.actuaries.org.uk

17

---

## Questions or comments?

---

Expressions of individual views by members of the Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

