

# What is IP financing and why is it so important?

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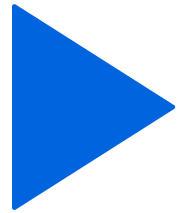
IP Finance Webinar and Ask the Expert Series

May 10, 2024

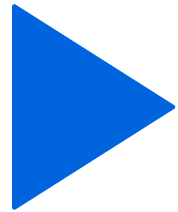


WIPO

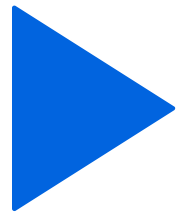
# IP and intangible assets as drivers of value



Intangible assets held by firms worth  
c. **\$62 trillion** in 2023 (up 8% YoY)



Account for **up to 90%** of company's assets  
(in major indices e.g., S&P 500)



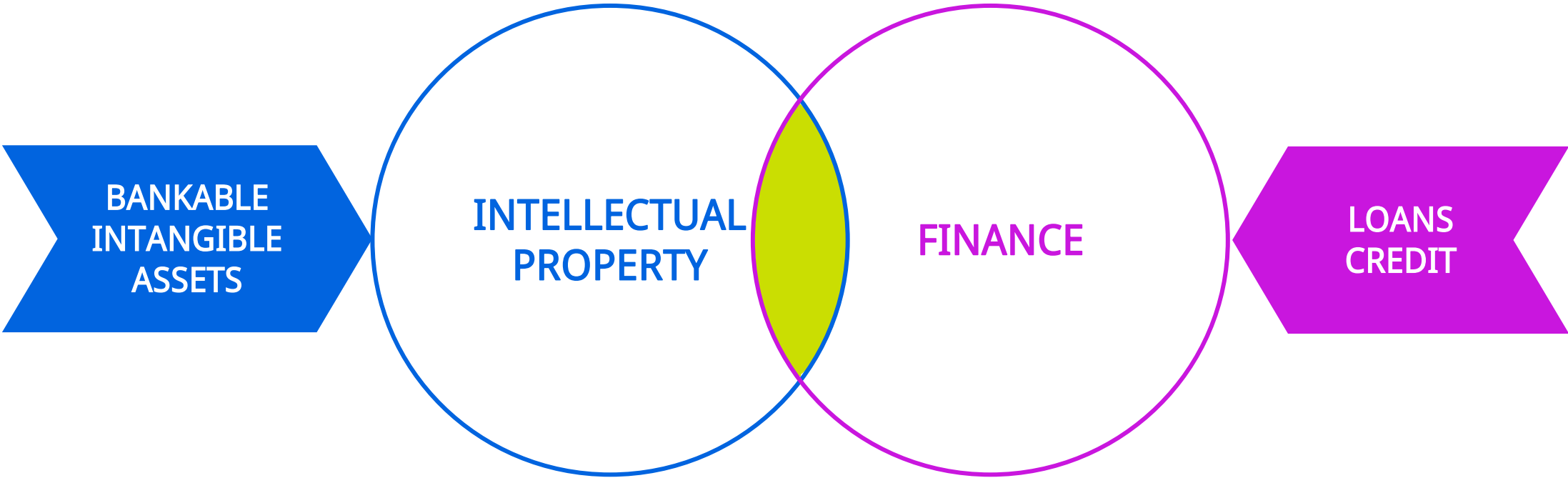
Total **investment** share of **intangibles**  
**increased by 29%** in 25 years (decreased by  
13% for tangibles)

*Sources: WIPO (2024): Global Innovation Index.*

*McKinsey (2021): Getting tangible about intangibles: The future of growth and productivity?.*

# Introduction to IP finance

# What is IP finance?



# IP as credit facilitator



## IP as underlying asset

Focus on financial value and cash generation of the IP  
(e.g., predictable royalty streams)



## IP as signal for creditworthiness

Strong IP rights as signal for quality of business model and ability to service loan

# Changing role of IP in lending



catch-all provisions  
lender takes security  
*over all assets*



understand business  
better, encourages  
repayment



IP value determines  
size of the loan  
(borrowing capacity)  
*usually not full value*

# Which IP is bankable?

IP needs to support cash flows that can be used to repay a loan

*Attributes: identifiable, separable, and owned by the business*

Easier to finance	Harder to finance
Patents	Trade secrets (which may need to be disclosed to use as security)
Registered trademarks	Unregistered trademarks
Revenue-generative creative assets	Other creative assets
Revenue-generative software code	Data (due to ownership and consent issues)
Registered industrial designs	Unregistered designs

# Some examples of IP finance

**IP with clear value outside the company, even if the business fails**

- A well-known brand
- A patent portfolio that can be easily implemented

**COLLATERAL**  
Security interest in the IP is taken. If the company defaults/fails, the lender or investor can liquidate the IP assets

**IP that is central to a business's activities**

- Catalogue of licensed music or film
- Royalty-generating software license

**SALE AND LEASEBACK**

**ENHANCED CASHFLOW LOAN**

**IP that currently generates predictable revenue**

- Catalogue of licensed music or film
- Essential patents to comply with a popular standard

**SECURITIZATION**  
IP assets sold to Special Purpose Vehicle (SPV). SPV creates securities that can be sold to investors

*Adapted from: OECD (2022): Secured lending for SMEs: Making effective use of registries and intangibles, pg. 39*



# IP finance on the ground

# IP finance on the ground – Country perspectives

¥ 486B  
(c. \$67bn)

IP pledged lending  
in China

₩ 3T  
(c. \$2.2bn)

IP financing market  
in Korea

*Sources:*

*WIPO (2024): Country Perspectives, China's Journey*

*IAM (2023): South Korea's IP-backed lending market growth exceeds targets. KIPO commissioner on patent policy priorities and becoming a 'top 3' IP nation.*

# IP finance on the ground – Corporate perspectives



American Airlines Group Inc

American Airlines pledges brand and slots to  
secure \$1.2bn loan

\$1 billion of the notes will be secured by a first priority lien against the American Airlines brand and related trademarks and IP and \$200 million will be in secured by existing incremental capacity under our LaGuardia-Regan National Collateral. The IP notes allow us to incur up to another additional \$4 billion of first-lien debt

*Sources: Financial Times, Motley Fool*

23 Jul 2020

# IP finance on the ground – Lenders engaging

## **NatWest launches Intellectual Property-based lending to fuel high growth businesses**

NatWest Group has launched a new lending proposition for high growth businesses to enable them to lever off the value of their Intellectual Property (IP).

12 Jan 2024

## HSBC UK launches next level lending for next level tech businesses

HSBC UK has today launched an exciting new 'Growth Lending' offering for high growth tech businesses in the UK, following the UK Government's call for additional investment in the sector.

22 July 2022

## HSBC UK adds £100m to tech Growth Lending Fund

21 Dec 2023

Sources: HSBC, NatWest, UK Tech News

# Challenges to IP finance

# Challenges of IP finance

**Valuing  
intangibles is  
hard**

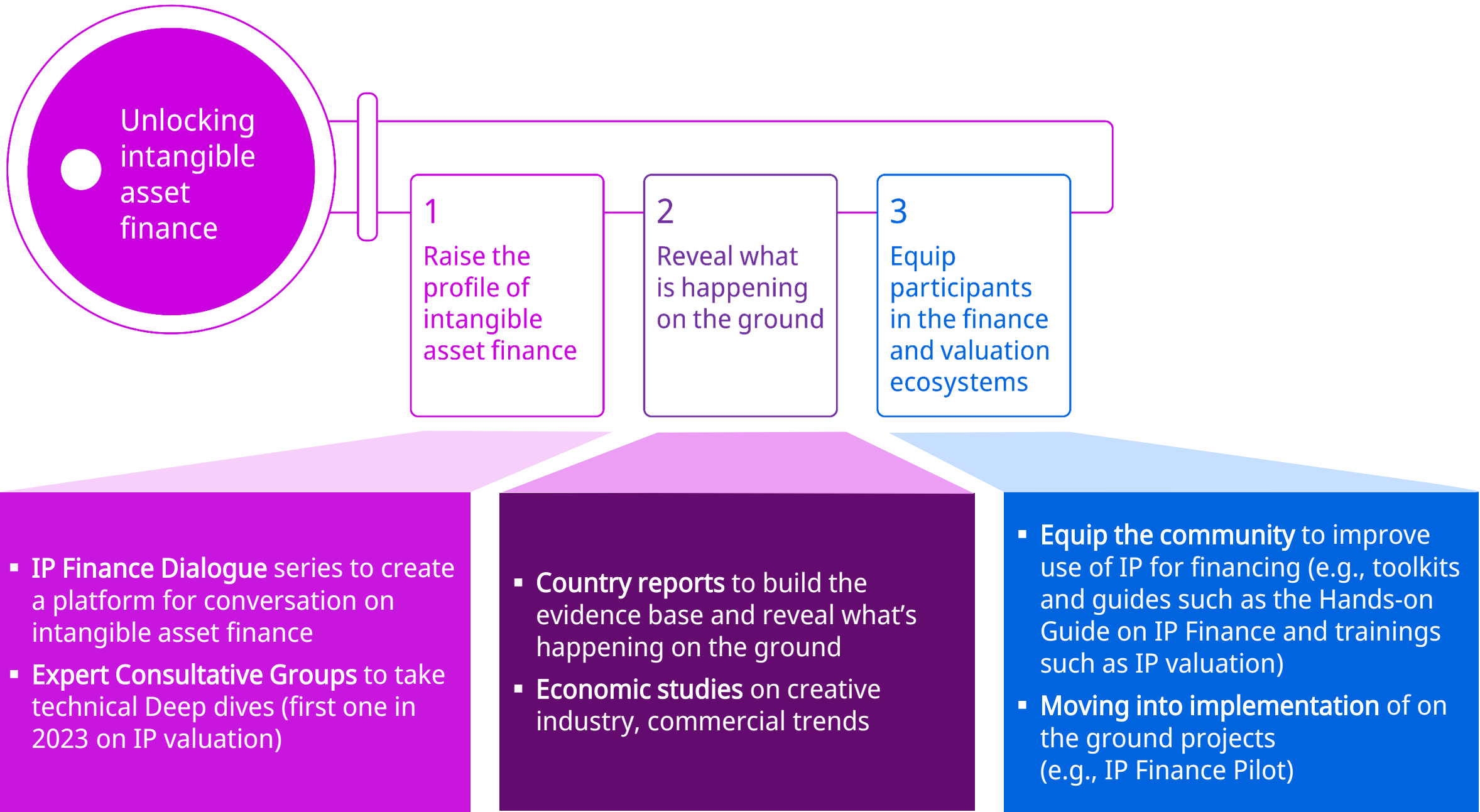
**Intangibles  
aren't always  
visible**

**Not  
encouraged  
by regulators**

**High  
transaction  
costs**

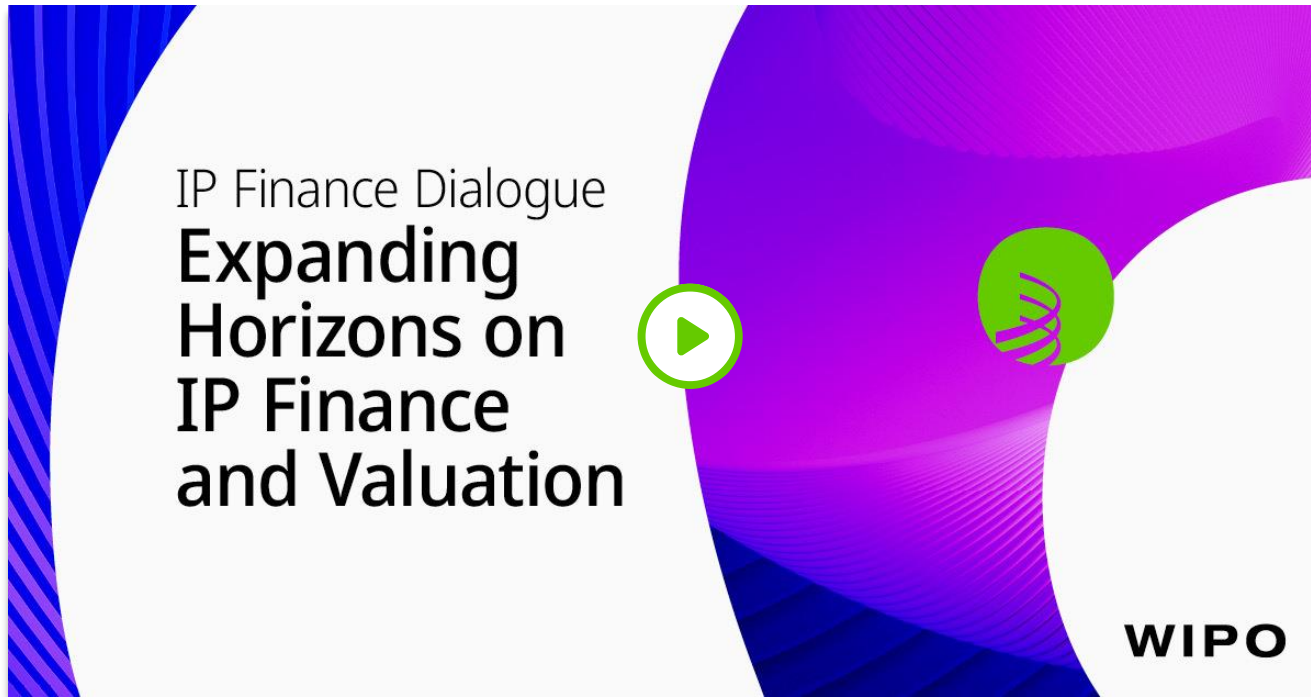
**Hard to  
liquidate**

# WIPO's activities in IP finance





# IP Finance Dialogue



**>2'200 people** followed the event  
Coming from more than **100 countries**

**35 speakers** from **5 continents**  
shared their vision, experiences, and challenges  
in IP finance from different sectors like:

 European Commission, EUIPO, IP offices

 World Bank, International Trade Center,  
IVSC

 Aon, UBS, HSBC, Natwest, Deloitte, KPMG

**November 21, 2023**

A platform where valuation and IP professionals, industry leaders, policymakers, entrepreneurs and investors convened to explore alternative strategies and novel approaches to unlock intangible assets and IP finance.

For more information, visit:  
[www.wipo.int/sme/en/  
events/ip-finance-  
dialogue.html](http://www.wipo.int/sme/en/events/ip-finance-dialogue.html) or:

















# Country Perspectives on IP Finance



Read more about the IP financing journeys of several countries



<https://www.wipo.int/publications/en/series/index.jsp?id=241>

PUBLISHED	UPCOMING
 China	 Austria
 Jamaica	 Brasil
 Luxembourg	 Canada
 Singapore	 Mexico
 Switzerland	 South Korea
 Türkiye	 Visegrád Four
 United Kingdom	

# WIPO's Hands-on Guide on IP Finance

## Equipping those engaged in IP finance

- Template-based to help IP owners prepare for discussions with lenders
- A focus on bankable IP and setting expectations for transactions
- Examples of companies with different IP strategies

### Focus on debt finance

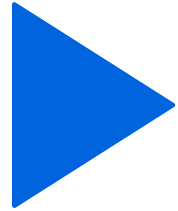
Preparation:  
Getting your portfolio in order

Application:  
The lending process

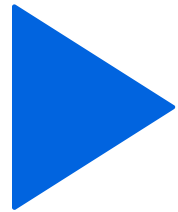
Decision:  
Deal structure and terms

Implementation:  
What happens after the deal

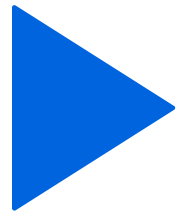
# Key takeaways



Growing number of **opportunities** to use IP as a financial asset



Taking advantage may require effort and education...**WIPO is working with the community to facilitate**



People are figuring this out and are starting to **consider IP and related intangibles for financing**


For more information about WIPO's work in the area, visit:

<https://www.wipo.int/ip-financing/en/index.html>

or scan:



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