

Valuation of a Fictional Character

Secretariat experts determined the economic value of a highly recognizable fictional character with a long-term presence in books, film, and theme parks. We provided our client with a reliable and unbiased valuation by conducting multiple independent analyses, each resulting in a valuation consistent with one another.

SUMMARY

Secretariat experts were hired to value a highly recognizable fictional character produced by one of the top Hollywood animation studios with a long-term presence in books, film, and theme parks. The fictional character was branded in such products as toys, apparel, and home goods. Evaluating the economic value of an intangible asset can be complex and requires experience, expertise, and strong economic analysis. Secretariat conducted three independent quantitative analyses to value the fictional character. Each independent analysis resulted in a valuation consistent with one another. By approaching the valuation from three independent perspectives, Secretariat provided our client with a reliable and unbiased estimate of the value of its intangible asset of a fictional character.

THE CHALLENGE

Valuing an intangible asset presents a challenge because an intangible asset may contribute value to past, present, or future cash flows depending on the context. For example, a fictional character may be responsible for past licensing revenues, current brand value, and future customer acquisition. The fictional character that Secretariat valued generates revenue from a variety of revenue streams, including direct-to-retail licensing, product licensing, film rights, home video rights, theme park admissions, and

theme park merchandising. See **Figure 1**. For each revenue source, Secretariat developed a specific valuation approach accounting for differences in financial reporting, segment growth, and competition. We also accounted for differences in the fictional character's popularity across global markets.

Figure 1: Character Revenue Streams

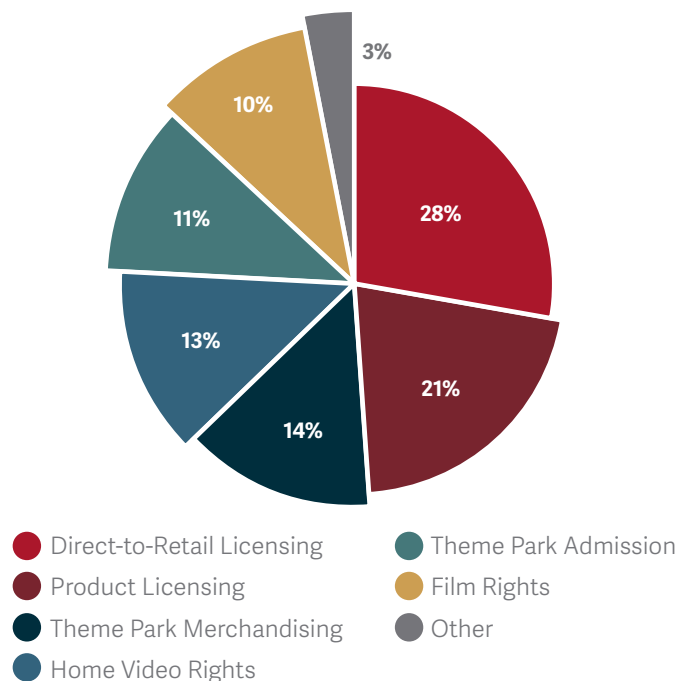


Figure 1 shows character revenue by source. Secretariat determined the value of the character across each revenue stream accounting for differences in financial reporting, segment growth, and competition.

OUR APPROACH

Secretariat experts valued the fictional character using three independent approaches to ensure accuracy and prevent bias. All three of Secretariat’s approaches yielded answers that were consistent with one another.

EXTRAPOLATION

based on comparable characters

Secretariat experts evaluated the popularity and sales of comparable fictional characters in global markets to estimate the value of our client’s fictional character.

EVALUATION

of internal sales data

Secretariat experts evaluated the sales of merchandise that featured the fictional character as well as merchandise that did not feature the fictional character in order to determine the Portion of revenue attributable to the fictional character.

EVALUATION

of third-party data

Secretariat experts evaluated data provided by third-party reports to determine the amount of sales attributable to the fictional character.

RESULTS

Secretariat’s valuation of the fictional character was higher than the company’s own valuation. One interesting finding was that royalties for the fictional character did not correspond to the growth of the fictional character’s retail sales, which is shown in **Figure 2**. Secretariat determined that looking at the royalty payments alone underestimated the true value of the fictional character.

Figure 2: Royalties and Retail Sales

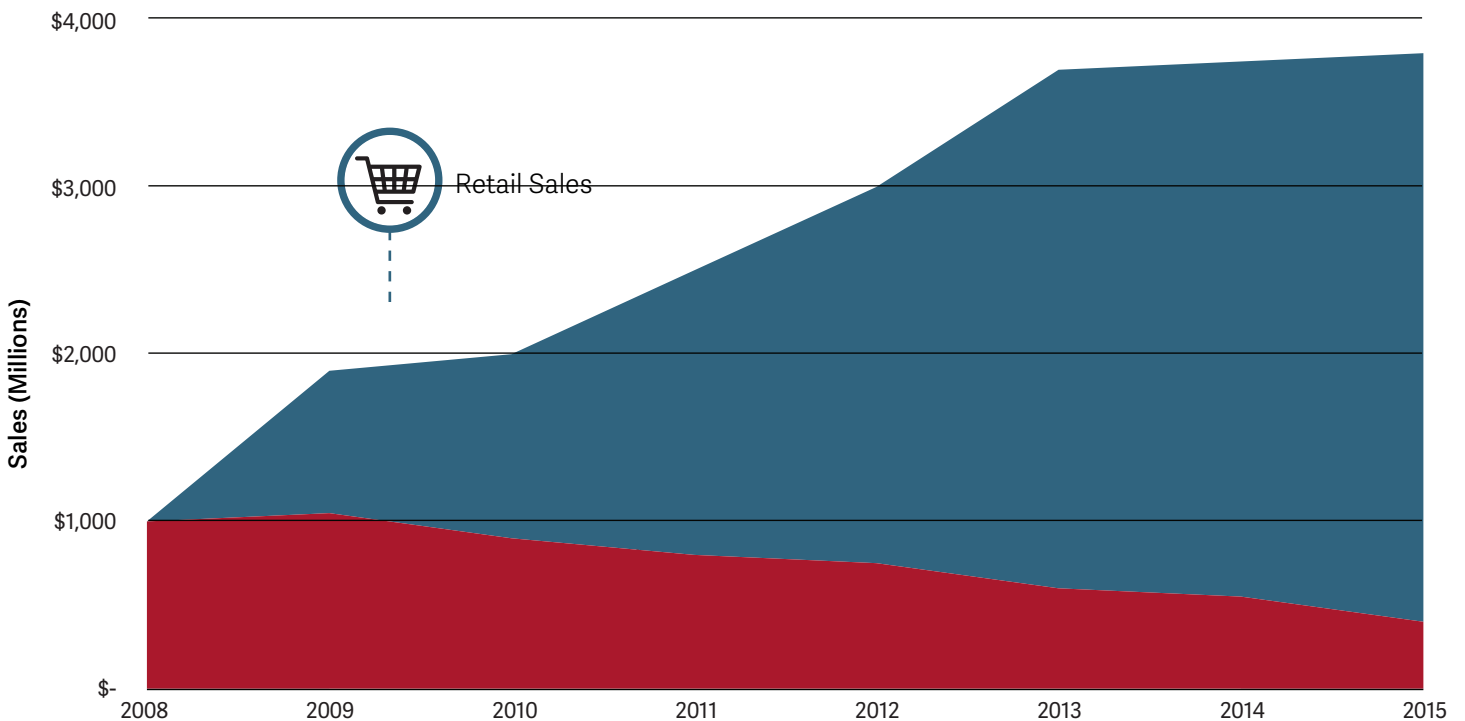


Figure 2 shows the discrepancy between retail sales and royalties. As illustrated, royalties for the fictional character were not keeping up with retail sales of merchandise featuring the fictional character.

Secretariat analysis and recommendations were instrumental to our client's demonstration of the value of its intangible asset and for optimizing future financial performance. By valuing the fictional character using three independent approaches, Secretariat provided our client with an accurate and reliable assessment. Secretariat's analysis resulted in an independent valuation, which our client used to evaluate royalties for such use of the fictional character as film, theme parks, and merchandise. See **Figure 3**.

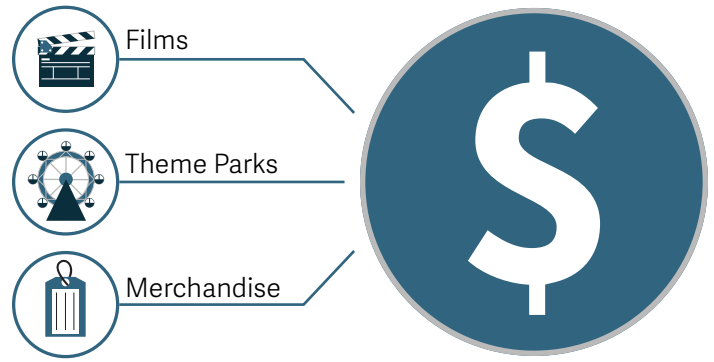
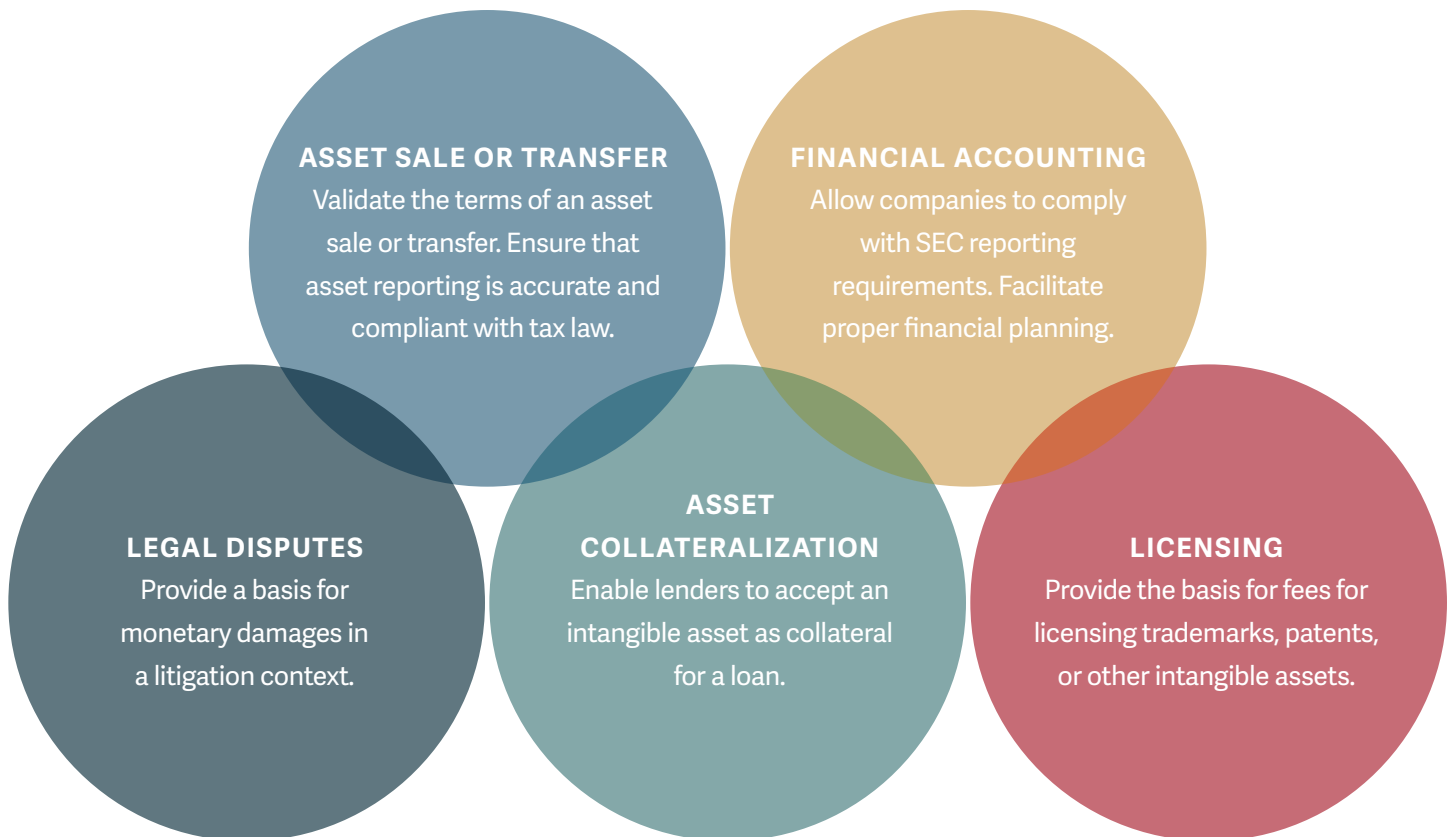


Figure 3. Secretariat's client used our analysis to evaluate royalties related to the character's use in films, theme parks and merch.

VALUATION APPLICATIONS

Secretariat provides independent valuation in a variety of contexts, from licensing to asset sale to legal disputes. Obtaining a reliable and supportable valuation can be beneficial to a variety of business applications, including:



All figures described herein are for illustrative purposes only and have been altered to maintain client confidentiality.

We would like to hear from you

Whether you are interested in speaking to one of our experts or learning more about our exciting careers, we look forward to hearing from you.

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