



# Unlock the Value of Intellectual Property

Intellectual Property-Backed Capital Solutions for Investors

Over the last

**40**

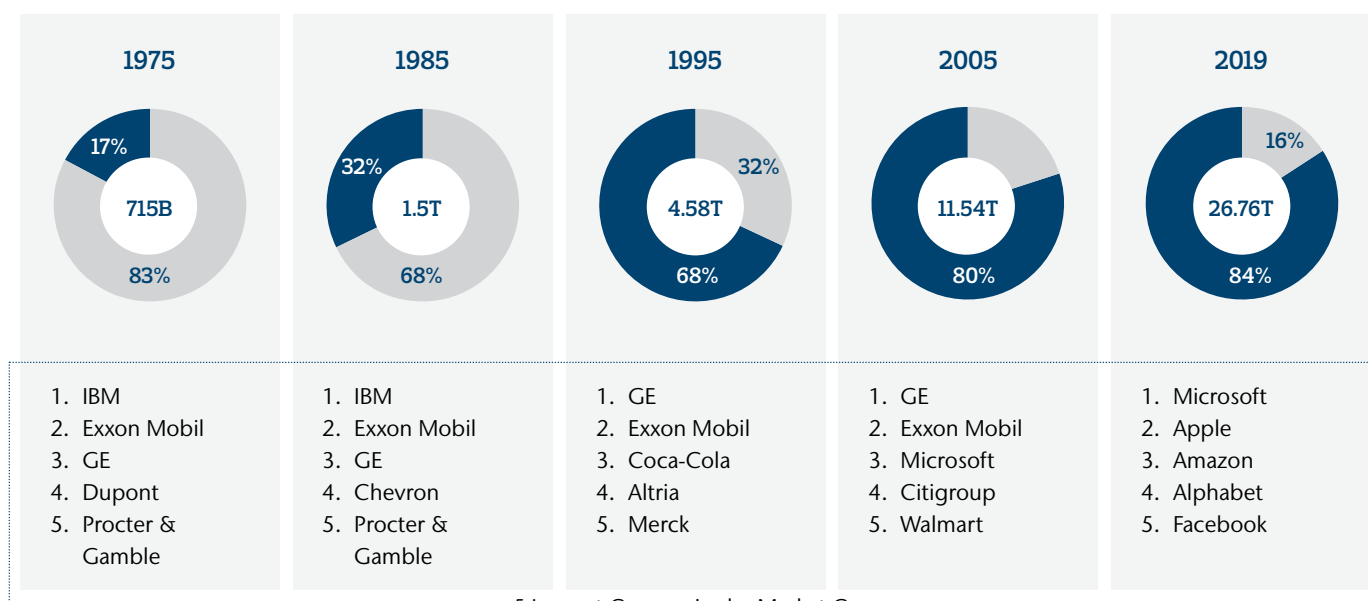
years...

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# Intellectual property and the growth of intangible asset value

Over the last 40 years, there has been a dramatic evolution from tangible to intangible assets as the primary component of business value. In the mid-1970s, intangible assets represented only 17 percent of the value of S&P 500 balance sheets. By 2019, intangible assets represented 84 percent of S&P 500 balance sheet value, or \$20 trillion of the S&P 500's \$28 trillion market capitalization.

## EVOLUTION OF TANGIBLE TO INTANGIBLE ASSETS



5 Largest Companies by Market Cap

- Intangible Resources
- Tangible Resources

Source: S&P 500 Annual Issues by Market Value: <https://us.spindices.com/indices/equity/sp-500>

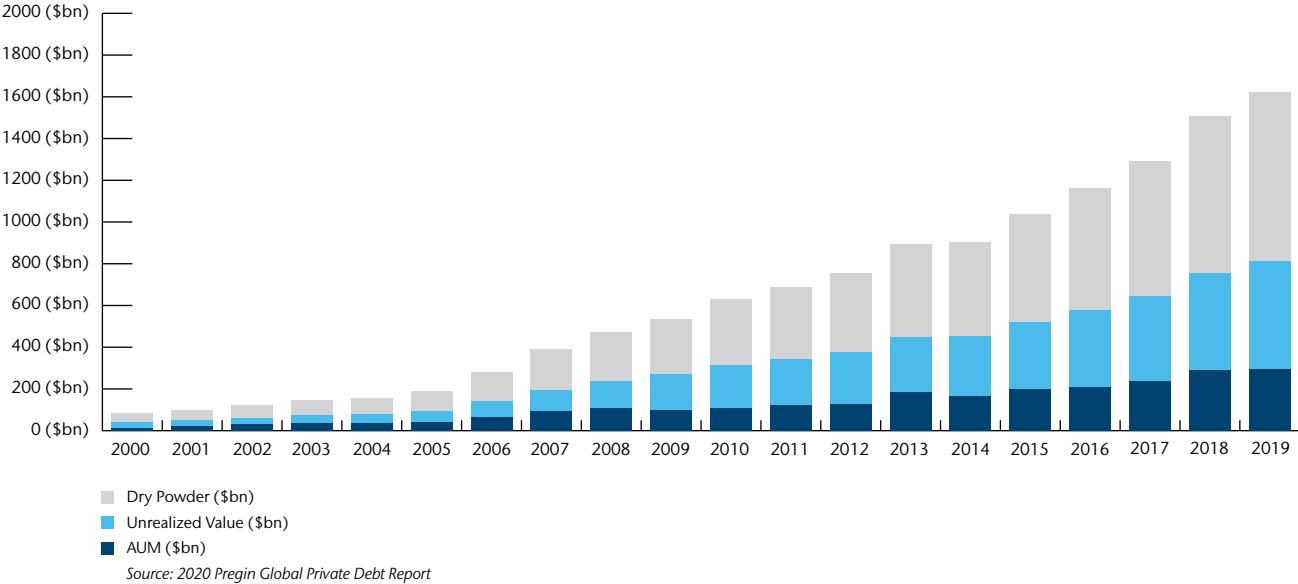
The growth of intellectual property (IP) – patents, trademarks, copyrights and trade secrets – has driven the transition from tangible to intangible asset dominance of corporate balance sheets, as the global economy evolved from manufacturing, energy, and consumer goods to mobility, cloud computing, social media and other technologies.

While IP is one of the primary drivers of enterprise value, it remains on the sidelines for corporate finance leaders and underleveraged as an asset class by both borrowers and lenders. New market participants are increasingly focused on IP-heavy industries and they're actively searching for innovative new tools to unlock the value of their intangible assets.

# Opportunities in the private credit market with IP-backed loans

The growth of intangibles and IP corresponded with a significant expansion in private credit markets, especially following the 2008 financial crisis when traditional banks largely withdrew from lending to small-to-medium size firms. Alternative credit providers filled the void and the private credit market, estimated at \$200 billion globally in 2008, rose to more than \$900 billion by 2019. However, many investors are frustrated by the fact that approximately \$300B is awaiting deployment and sits as dry powder and underserved market relative to the financing needs for private growth companies in the United States and abroad.

With fewer hard assets such as property, plant and equipment that can be used as collateral for borrowing, private growth companies struggle to finance with debt. To access private debt, they require a sophisticated IP-valuation process that can demonstrate the competitiveness and security of their IP. Only then will private growth companies be able to pursue capital alternatives to the issuance of expensive, and often highly dilutive, equity instruments.



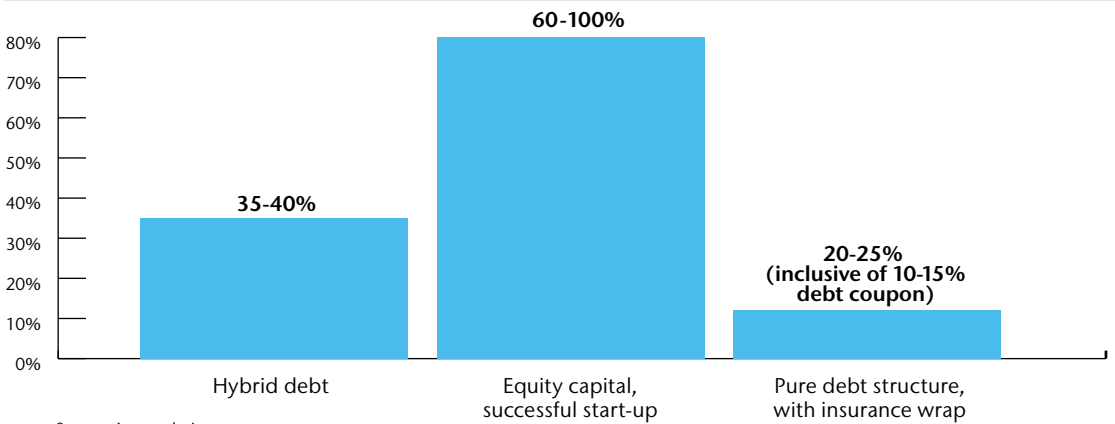
With over \$50 trillion in global value, Aon believes IP is one of the largest uninsured asset classes in the world. As a first mover in this asset class, the opportunity to provide significant premium growth to the insurance industry cannot be overstated. In response to this opportunity, Aon launched the IP Capital Markets Group to provide IP solutions across valuation and insurance enhanced lending to provide innovation-led companies access to non-dilutive debt capital. As part of this effort, the IP Capital Markets group has built a whole-loan business and is launching a proprietary IP backed debt fund seeking to raise \$500 million.

In our whole loan business, Aon’s first successful close was facilitating a \$100+ million loan to Indigo Ag, a high-growth, IP-rich agriculture technology company. Building upon Aon’s industry-defining IP valuation approach, Aon arranged an IP Collateral Insurance policy for the lender in excess of \$100 million. The bespoke policy is believed to be the largest of its kind. By combining proprietary IP valuation tools and a collateral protection insurance policy, this collaboration enabled an IP-backed debt structure that helped Indigo raise additional funds while avoiding equity dilution. [Learn more.](#)

Offering a non-dilutive debt option to borrowers has been well-received, driving a current pipeline of \$500+ million of additional borrowers. The strength of this value proposition allows us to be selective choosing those companies that are most likely to be insurable.

### Insurance-Enhanced Debt Solutions are Frequently Less Expensive than the more common Equity Solutions

Cost of Capital – by Source



Source: Aon analysis

# Aon's IP Advantage Fund – Unlock the value of IP to build out the insurance lending-enhanced ecosystem

With market inefficiencies constraining IP and private credit investors, Aon is offering an innovative new opportunity to unlock the value of IP. Aon's IP Advantage Fund offers lenders access to a deep institutional asset class with multi-dimensional underwriting techniques powered by sophisticated natural language processing & machine learning capabilities to more accurately value the IP.

Leveraging Aon's proprietary capabilities coupled with fundamental credit analysis and structuring allow the IP Advantage Fund to provide loans to mid-stage growth companies using their IP and other assets as collateral. As a final protective layer, Aon also has the potential to layer "collateral protection insurance" (CPI) on loans made by the Fund to generate highly attractive risk-adjusted returns on an unlevered basis. This allows prospective borrowers a debt financing solution that is timely, cost-effective, and non-dilutive to existing shareholders.

Aon's IP Advantage Fund is an exciting new investment vehicle with a \$25 million co-sponsorship by Aon, and will seek to offer investors a targeted Net IRR of 10-15 percent p.a.

## Proprietary Deal Sourcing

Aon's deal pipeline has been built by using a deal sourcing algorithm to augment our traditional network sourcing capabilities. It is expected that additional investment opportunities for the IP Advantage Fund will be sourced through venture capital and investment banking channels where Aon maintains long-standing relationships and where we anticipate loan pipeline access via "off-market" negotiations.



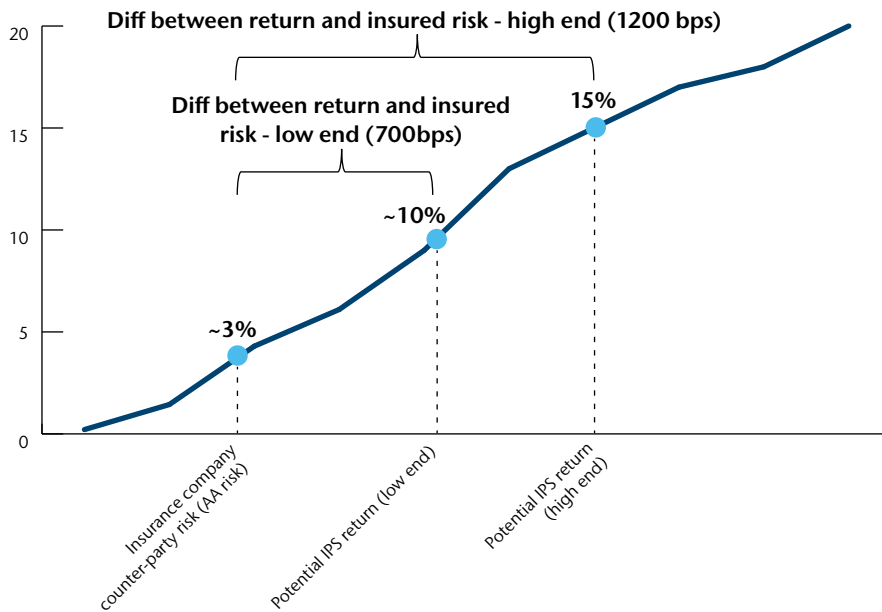
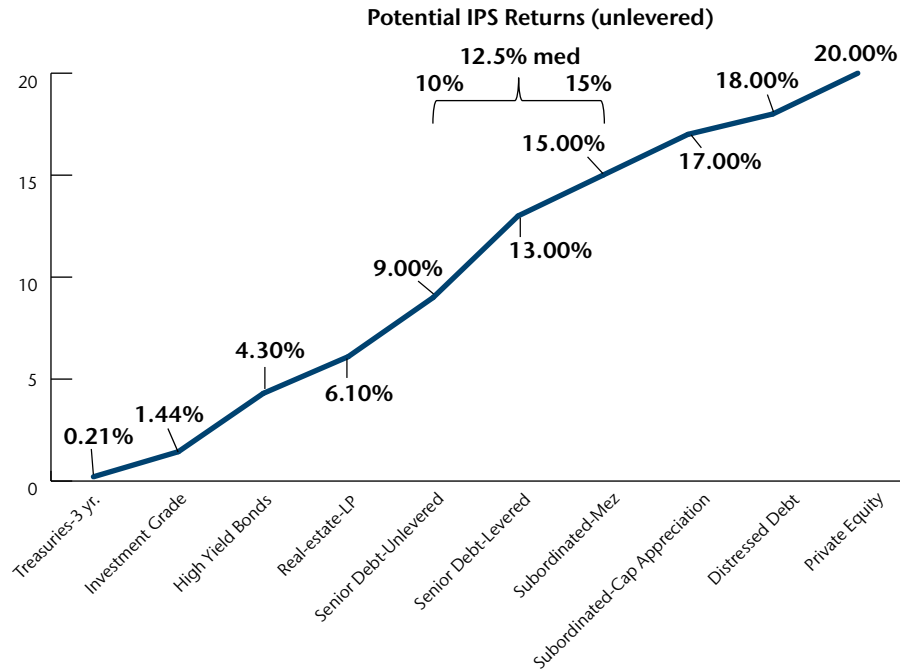
Leveraging our proprietary sourcing algorithms we have identified nearly 5,000 potential targets in the U.S., representing a maximum addressable market of \$170 Billion in loans.

\*Aon IP deal sourcing algorithms  
\*\*Current average loan size from Aon IP borrower pipeline

## Enhanced Upside/Limited Downside for the LP's

The fund expects to deliver a return of 10-15% unlevered, which compares attractively to other investment options available. When our comprehensive insurance solution is factored in, the effective counter party risk becomes investment grade insurance balance sheets implying a potential return over actual risk of 700-1200bps.

### IPS Advantage Fund Potential Returns Compared to Alternatives



## Deep IP-Valuation Expertise

Aon's leading Intellectual Property Solutions (IPS) group comprises 150+ IP professionals including data scientists, PhDs, IP attorneys, and former IP-Practice Leaders at established technology companies such as Philips, Alibaba, Microsoft, Amazon, Dell, and Geely. Aon's IP Advantage Fund taps into the firm's Intellectual Property Solutions expertise and valuation engines to better value the collateral that is often opaque and not well understood by the rest of the market.

Using a proprietary machine-based valuation methodology driven by worldwide IP data, patent-mapping to products and services, and transaction and valuation data, Aon helps companies assess a wide array of hard-to-value IP assets. The valuation analysis will typically cover a myriad of recovery and liquidation scenarios along with an analysis of potential buyers of the IP and the prices they would likely pay under these different scenarios. This will enable the IP Advantage Fund to target debt investments that are well beyond the reach of other private credit lenders.

## Risk factors

There can be no assurance that the Fund will be able to generate returns for the Limited Partners or that the returns will be commensurate with the risks of investing in the companies and transactions described in this Memorandum. There can be no assurance that any Limited Partner will receive any distribution from the Fund. Accordingly, an investment in the Fund should only be considered by a person that can afford a loss of its entire investment.

## The Aon Advantage Protecting Assets and Creating Enterprise Value

Aon's Intellectual Property Solutions team helps clients protect and maximize their most valuable asset in today's business world—their intellectual property. Aon brings the best minds and strong analytical tools to provide a comprehensive approach to intellectual property **strategy, valuation, and risk** management across a client's business. We go beyond looking at the legal frameworks to align current and future intellectual property assets with a business' overarching strategy.

### Strategy



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### Valuation



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### Risk





## To learn how Aon can help you secure assets and maximise returns, contact:

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## About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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