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SUMMER UPDATE



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We are well and truly in the Summer season and welcome you to our update on latest developments, industry insights, our popular Q&A edit and much more!

We've been incredibly busy over the last quarter and want to offer a better understanding of how valuing assets plays a crucial role in our business and the wider industry and also to provide you with recent auction statistics, proving our expansive knowledge base helps us stay ahead of the curve and achieve fantastic results! We get to know Scott Marriott, Senior Director a little more and review our team's expertise across various asset classes.

Our sector insight delves in to the 'Trade Secrets' of the Intellectual Property sector and provides crucial information to highlight these key valuable assets that are generally lesser known.

To conclude, we tell you about our exciting news and events happening within the company. We hope this newsletter is an informative resource for our valued clients.

Enjoy reading and happy holidays!



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Q&A With Scott Marriott, Senior Director

We are delighted to have welcomed Scott Marriott this year as a Senior Director of Real Estate Advisory. Thanks to Scott for taking the time to do a Q&A with us!

Scott Marriott is a Chartered Surveyor with over 25 years' experience having worked both client and advisory side, and now specialises in providing strategic real estate advice to insolvency practitioners, banks, alternative lenders, private equity investors, corporates, and borrowers.

Scott's career started as a land agent managing a variety of rural estates and farms before electing to focus on commercial and residential development, investment, and management.

Scott's decision to move into the world of Restructuring and Insolvency came about during the Global Financial Crisis when it became obvious that the key stakeholders and decision makers in the property market at the time were those that provided the debt.

As the property market corrected itself, and both lenders and borrowers assessed their options, Scott took an opportunity to work in KPMG's national restructuring and insolvency team and has worked on some of the most high profile and complex insolvencies over the past decade, including Thomas Cook Aircraft Engineering, intu Shopping Centres plc, The Arcadia Group and Jamie Oliver's Restaurant chain.

1. How has your role changed since you started?

The property industry is incredibly varied and there are so many different sectors and geographies that every day really can be a learning day. But the biggest and most obvious change in the last 10 years has been the increase in the number of lenders and investors into property and the complexity of the deals and debt structures. Because of this the level of technical, financial and legal knowledge needed when advising on strategic options has increased substantially; and when you overlay this with additional financial regulation it can be a complicated space.

2. Best part of the job

It has to be the variety of jobs and the people you meet! The nature of restructuring and insolvency means that you never know what the next project will be. I have worked on most types of assets across the UK including farms, residential portfolios, part complete commercial developments, renewable energy, ports, office, retail, industrial, etc. and in each case the people are very different and experts in their own area.

3. Worst part of the job

Seeing people lose their job is never easy but being able to provide simple straight forward friendly advice is always well received which helps to focus on what's important and the next step of their career.

4. Most obscure property you have provided advice on.

I cannot recall anything really odd but past projects have included open cast coal mines, a seaweed farm and a portfolio of residential properties in Wales that had been subject to extensive mortgage fraud. The properties had been significantly overvalued, the rental income exaggerated and in some cases the apartments over which mortgages were advanced didn't even exist.



Q&A With Scott Marriott, Senior Director

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5. **Lowest value property you have sold?**

A shopping centre for £1. Unfortunately, the liabilities significantly outweighed the assets and the property had no value and no real alternative use in the short to medium term.

6. **Highest value property you have sold?**

On behalf of a private equity client, I managed the sale of the former Topshop flagship store on Oxford Circus to Ingka Investments, the group behind Ikea, for £378 million; this has been my largest single asset transaction. A fascinating exercise that truly demonstrated the importance of thoroughly preparing a property for sale before launching on the market.

7. **Best advice you could give someone entering the profession**

Learn as much as you can as quickly as you can, speak to as many people as you can across the industry and seek their advice whenever possible.

Don't be afraid of general practice surveying where you can provide a range of services across lots of different sectors. Once you have experienced all that the industry has to offer then specialise in what interests you most, that way you are more likely to be successful and enjoy what you do.

8. **What changes in the profession do you expect to see in the next decade?**

The adoption of AI and other PropTech is likely to gather pace, as mentioned earlier, the industry is becoming more complex and data analytics will be

increasingly important when analysing opportunities. It won't take away the human element that will still be required to provide a subjective assessment but it should make analysis of big data quicker and more accurate.

9. **What does the typical day look like/ is there a typical day?**

I split my time between our head office in London, our regional offices across the UK and occasionally work from home, so there is no typical day but my day always starts quite early and a good coffee or two is a number one priority!

I try to be disciplined and structured with my day and deal with emails first before moving onto client work which could be anything from meetings, calls, contingency planning, report writing and marketing activities. However, the nature of the business often means clients need advice urgently and plans can change instantly. I always carry my passport just in case a client needs us to travel abroad and visit them or a site at short notice.

Property is also a very sociable industry and wherever possible I try to meet people face to face, so there is every chance I might be in the local coffee shop, restaurant or pub!

Finally, I always walk up the underground escalators, I need to keep my steps and fitness level up for coaching and referring rugby at the weekends!



Value Profiles in Understanding Asset Values

Approach and requirements for asset valuations for potential acquisition and for lease finance of assets follow and focus on similar key asset value drivers.

UK Banks and leasing companies generally have an appetite to support financing of plant and equipment in sectors where market evidence is freely available through Operating lease, Finance lease/Hire Purchase, Asset-backed Lending or Vendor finance.

Sectors such as Construction include assets like mobile cranes and general plant for which suitable market evidence can be sourced and are generally preferred for asset finance. These asset types contrast with assets for which market evidence is limited and/or the market is not transparent; tower cranes are such an asset class.

The costs associated with a lease mainly comprise the asset depreciation or the decline in market value of the asset over the lease term. For asset portfolios and asset classes in the context of asset finance, development and use of market derived value profiles are key to understanding how an asset (or group of like assets) declines in value as their utility is consumed over a known period.

Market profiles consider suitable and observable market data (advertised or transactional) and the price points in those transactions relative to current replacement cost new of the asset.

When applying market data, consideration must be given to the nature of the transaction (private treaty, auction etc.), along with the location of the asset relative to the most advantageous market. An analysis into the nature of the subject assets' market (to the extent it exists for a particular asset type), including an overview of the availability of transaction data, transparency within the market, potential volume of market participants and the liquidity of the market or volume of transactions can have an impact on what is considered to be the principal (or most advantageous) market.

As with all plant and equipment assets, the type of asset, its make (OEM tiering considerations), asset key attributes: model variances, capacity, utilisation, associated ancillary equipment; all need to be documented and understood in order for appropriate market research to be undertaken.

Value Profiles in Understanding Asset Values continued

Residual value (“RV”) setting is a crucial part of lease finance and asset management. RV setting is achieved through understanding the lessee’s operations and the corresponding market dynamics (also market sector participants’) for the assets and the corresponding asset management regime relative to lease conditions.

Setting RV’s needs to consider several factors linked to the asset: Should anticipation of future income define future RVs or is this wishful thinking?

An understanding of leveraging contracts, step-in rights and similar should be considered. Have realistic assumptions (costs, recovery, logistics) been applied in RV realisation estimates?

Ultimately, the types of asset (OEM variances), identifying who are the real market sector participants, asset characteristics, sector dynamics, functional/ technological and external obsolescence considerations and asset management will all impact on market value assessment at an asset and portfolio level.

Therefore, appropriate use of market data and understanding of the subject asset’s utility and use is crucial.

Hilco have undertaken various portfolio valuations comprising several thousand plant items spread across multiple jurisdictions, with total derived values exceeding one billion Euros. Combining targeted market research with use of data from Hilco’s sales of similar assets, allows us to appropriately analyse and model the assets under consideration, and to factor-in the various nuances of the assets and the market in which they operate.



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Recent Auction Statistics

Jarvis - May 2023

Number of Approved Registrants	Total Number of Bids	Total Number of Page Views
225	2,083	32,746

British Honey - June 2023

Number of Approved Registrants	Total Number of Bids	Total Number of Page Views
258	4,251	22,566

Mate - Aug 2023

Number of Approved Registrants	Total Number of Bids	Total Number of Page Views
208	2,235	18,735



Case Study

Bio-Bean

Bio-Bean Limited (“Bio-Bean” or “the company”), designed and created a formula, manufactured and supplied, sustainable coffee logs to all major supermarkets, DIY outlets, garden centres and independent petrol stations. On the 3rd April 2023, the company entered administration because of, but not limited to; inflation related trading difficulties, inability to secure additional investment, and the impact of fire damage to a key element of the production process.

Hilco Valuation Services Europe (“Hilco”) was appointed by the administrators, KRE Business Recovery (“KRE”), to provide valuation advice for the machinery and business assets of Bio-Bean. In addition our role included, arranging and supervising viewings of the facilities for interested parties and along with KRE, negotiating the sale and terms of all the company’s business and assets. The assets for sale comprised of brand and intellectual property, customer and supplier base, finished stock inventory, and more.

Our team conducted a marketing campaign including delivery of an E-Blast being sent of the Business Lite Memorandum of the company’s IP, MBA, and Stock Inventory to lists compiled by KRE and Hilco’s contacts.

This concluded in a very successful sale result with the business and assets being sold under an APA to Envar Composting Limited (a Heathcote holding company).

“We were assisted by Hilco Valuation Services (Hilco) to complete a valuation and sales exercise of the machinery and business assets of Bio-Bean Limited. Hilco were crucial in providing assistance to sell the assets as a complete package by private treaty within strict time constraints. KRE were delighted with the outcome and work provided by John Boorman and the wider team.”



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Sector Insight - Intellectual Property

What are Trade Secrets?

Trade secrets are intellectual property assets relating to confidential and/or commercially sensitive information that can provide a competitive advantage to a company. In other words, it is confidential information that the company does not want to be in the public domain because it has commercial value.

Patents, trade marks and domain names are not the only potentially valuable forms of IP assets – some of the most valuable assets for a company can be trade secrets.

A generally lesser-known form of intellectual property, trade secrets can include any form of commercially valuable and sensitive information – for example, proprietary recipes, technical drawings or sketches or a list of a company's key suppliers and customers – all qualify as trade secrets and can have value.

While not every business will have patents, trade marks or designs, all businesses have trade secrets – they may even be the crown jewels of their IP portfolio - they just may not know it... or, perhaps no one has known to ask them....

The IP Iceberg

Often, registered forms of IP such as trade marks, designs, patents and domain names are just the tip of the iceberg... when you know what to look out for, there can be a whole new world beneath the surface... Some common examples of trade secrets are:

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Some common examples of trade secrets are:



Business Plans & Process Documents



Customer & Supplier Lists



Technical Drawings & Engineering Sketches



Content of Laboratory Notebooks & Testing Data



Software & Source Code



Proprietary Recipes



Unregistered Product & Clothing Designs



Sheet Music

Company News

EVENTS



Insider ABL BBQ

We were delighted to cosponsor the Insider Media, Yorkshire ABL Summer BBQ. A great time was had in the sunshine with friends and colleagues.



Golf Days

We've recently enjoyed two great golf days out. Our team were at The Renaissance Golf Club, North Berwick and enjoyed sunny weather and a picturesque backdrop to watch the prestigious Scottish Open. Members of our Birmingham office, helped organise the third 'Hilco Midlands Golf day', which offered a friendly tournament format.

NEW STARTERS



Susan



Luke



Alfie

We are pleased to welcome Sue Fretwell, Luke Probyn and Alfie Turner. Sue will be based in our Leeds office working within the Administration Team, Luke joins the MBA Team in London and Alfie joins the MBA Team in Southampton. Welcome to the Hilco Family!



Company News

EXERCISE CHALLENGE

During the month of May and July, numerous Hilco employees took part in the Exercise challenges. A total of c.29,000 miles was covered, by a mixture of walking, running, cycling and swimming. We are delighted to have raised valuable funds for our chosen charity of the year, The Baby Bank.



SPONSORSHIP

We were thrilled to receive a lovely update from one of our sponsored football teams who recently went to support the senior first team as mascots. They watched an exciting cup match, with a 2-1 win!