

IVD CONFERENCE 2025

Business Valuation and Funding -
How does academia value IP

Dr Veemal Bhowruth (UoBE) – Senior BDM (LS Lead)



UNIVERSITY OF
BIRMINGHAM



IP in an academic setting

- **Crucial asset** that reflects the outcomes of research, innovation, and creative work.
- University of Birmingham (UoB) IP policies protect and manage these assets, ensuring that **students & staff are recognised and rewarded** for their work.
- **Facilitates IP transfer** into practical applications and potential commercialisation, **benefiting both the institution and the wider community**.

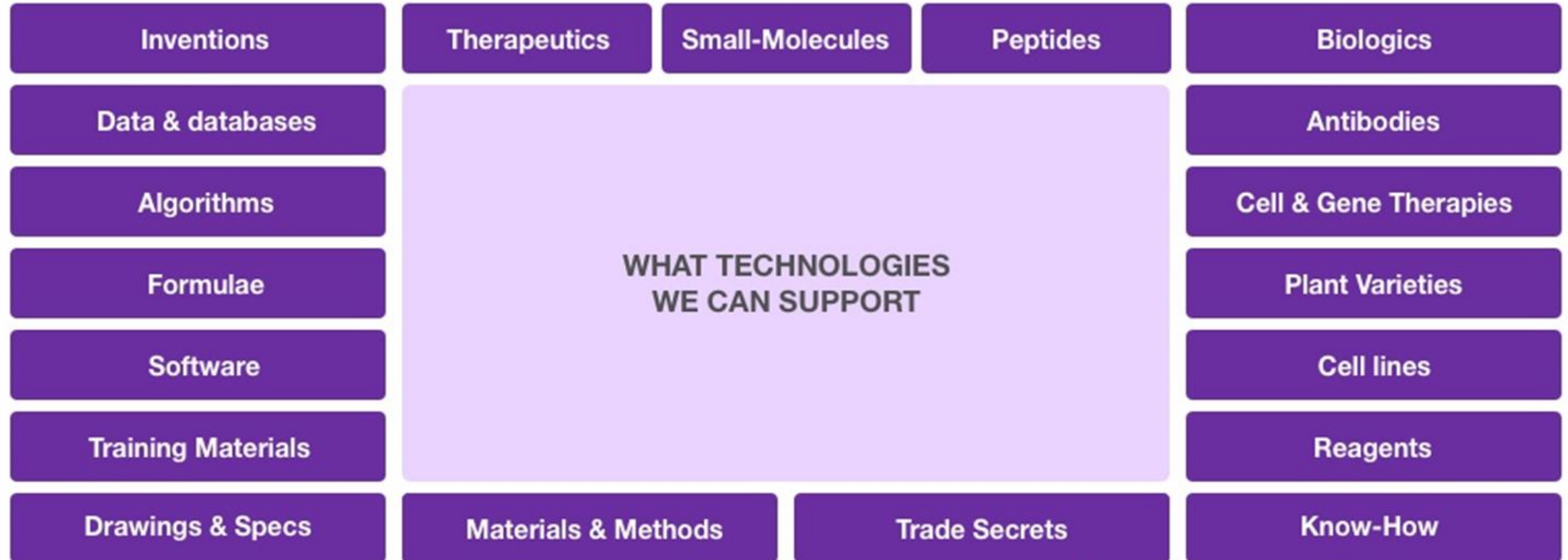
Applying for grants

- **Understanding your IP is essential for grant applications** where you need to appreciate what IP you generate and if you have the freedom-to-operate.
- You can **work with the UoB Professional Service** teams to support your applications:
 - Translational Research Team (TRT)
 - Business Engagement Research Impact (BERI)
 - University of Birmingham Enterprise (UoBE)
 - Contracts



Freepik image

Various forms of IP – Life Sciences



University of Birmingham Enterprise - what we do



Consultancy



Operating
Divisions



Spin-Outs



Licensing



Birmingham
Research Park



UNIVERSITY OF
BIRMINGHAM

Enterprise

How does UoBE support IP value creation?

Wholly owned subsidiary and trading company of UoB

Separate trading company to comply with charity law

Team of experts with various technical backgrounds

First port of call to disclose your ideas/IP

Protection and licensing of the University's IP

Form spinout companies or licensing of opportunities

Facilitation of personal academic consultancy

Management of Birmingham Research Park & BioHUB

Help build digital footprints for spinout companies through communications.

Commercial Development professional services



UNIVERSITY OF
BIRMINGHAM | Enterprise

Engaging with the process – what's in it for UoB?

- Funding
- Source of ideas
- Impact (REF)
- Reality check
- Access capability / capacity from companies
- Reputation & societal/patient benefits
- Fulfilment
- Grant funders' obligations to comply with



What is in it for companies?

- Access to cutting edge research
- Licensing without the full financial commitment of ownership
- Source of ideas
- Access to new technology and IP
- Access to expertise
- Reduced development costs
- Competitive advantage/better market reach
- Strategic partnerships – Oxford AZ vaccine



Freepik image



What's in it for academics?

- Recognition: industrially, academically, promotions
- New funding route: translational grants (£millions)
- Broadening horizons & new experiences
- Industrial funding for PhD students & Post Doc
- Access to companies' technologies and expertise
- Seeing innovations make it to the market: patient/societal benefit
- Financial rewards: IP income, consultancy, equity
- Directorship: founder and position in a spin out



UNIVERSITY OF
BIRMINGHAM



Freepik image

IP valuations – factors to consider

When might you want to value your IP:

- when seeking funding (e.g. investment, loans or grants)
- for a joint venture
- when setting licensing terms
- for mergers and acquisitions

Important: keep an IP log/audit and continue to update this with all forms of IP (including know-how and trade secrets).

We might value the IP highly based on projected sales over the full term of any associated IP.

However, at the pre-revenue stage, a potential investor may assign a value to the IP based on the cost of acquiring it (or less), because the market has yet to be proved.

We have to strike a balance between these extremes!



UNIVERSITY OF
BIRMINGHAM | Enterprise

IP valuations - continued

To do this, you may want to consider the following things:

- Is the commercial offering or technology really needed?
- Does it meet a significant and growing unmet customer need?
- Is it a significant advance over what is currently available?
- Can it feasibly be delivered in a cost-effective manner at a price point that the customer base will accept?
- Is it adequately protected/ are the patents sufficiently broad - how easy is it to work around?
- How vulnerable is it to future (superior) development by others, leaving your commercial offering effectively redundant?
- Where is it in the development roadmap – how much is its de-risked (regulatory input, toxicology data)?



IP valuations are an “art” not a “science.”

Valuations can change for a variety of reasons:

- A patent may begin as a unique solution to a problem, but other solutions may reduce its value.
- Patents have a 20-year monopoly (in general). It can take 15 years to get a product to market after approval, leaving 5 years to gain a return on investment (ROI).

Methods of IP valuations:

- The Cost method
- The Market method
- The Income method



Freepik image



Method	Explanation	Pros	Cons
The Cost method Values the IP by estimating the cost to create a similar or identical asset.	Commonly used for valuing patents, portfolios, and in situations involving licensing or seeking investments. However, this does not factor in any wasted costs or the unique features of the asset.	Simple and straightforward. Useful for valuing IP in its early stages.	Does not account for the future economic benefits of the IP. May not reflect the true market value, especially if the IP has significant market potential.
The Income method Estimates the value of an IP asset based on the expected economic income it will generate, adjusted to its present value.	Forecasts potential future revenue, cost, and risk of IP. These forecasts are used to determine the IP's net present value (NPV), which can be either positive or negative.	Considers future economic benefits of the IP. Can be very accurate if the future cash flows and discount rates are well estimated.	Requires detailed financial forecasts and assumptions. Sensitive to changes in assumptions, making it potentially uncertain.
The Market method Relies on comparing the price paid for the transfer of rights to a similar intangible under comparable conditions.	This method is frequently used to establish royalty rates, determine tax values, and support income-based valuation methods.	Reflects actual market conditions and demand. Useful when comparable transactions are available.	Difficult to find truly comparable IP assets. Market data might not always be available or accurate.



Structuring licensing deals for IVDs

- **Exclusivity licence fee:** £0 – £100,000 upwards.
- **Scope of field/territories:** can be limited in various ways, e.g. human applications only; specific regions only.
- **Milestone payments:** based on achieving pre-determined milestones of value inflection, e.g. CE marking; FDA approval; beginning clinical trials (£millions), first sale, etc.
- **Royalties:** based on generated net revenue, which can be in the region of 1-15%. Dependent on where the technology is on the development pathway. Normally linked to valid patent claims in territories.
- **Know-how payments:** used where there are no valid patent claims, but the company is still utilising this to commercialise the technology. Normally half the royalty rate.
- **Other forms:** sub-licensing provisions, annual licence fee/minimum annual royalties, combinations products and new revenue streams incorporating IP.



Structuring Spin out deals for IVDs

- **Equity:** shares given to Founders and UoB (and others) upon incorporation (could include investment). UoB normally takes 10-30%.
 - Could be dilutive and non-dilutive
 - Different types of shares such as Ordinary and Preferential shares
- **Royalties:** not always appropriate and dependent on the type of technology (2-5%).
- **Milestone payments:** needs to be fair market value and not too high to negatively impact company.
- **Assignment fees:** e.g. £50K upwards for each patent.
- **Exit fee:** might be part of an acquisition where considerations are bought out.
- **Licensing of improvements:** can licence these into the company on separate terms.



Case Study – RTF-EXPAR licence

- Developed during the Covid-19 pandemic – no formal grant money to develop IP.
- Licensed to Innova Medical Group (IMG) Inc.
- License fee in the £100,000+.
- Licensed products royalties ~ 5%.
- Milestones based on CE, UKCA, FDA marking and first sales in various continents.
- Patent portfolio extended.
- Licence restricted to Human use.
- Other benefits –
 - Industrial Research money (~ £1million) to UoB.
 - Consultancy money for the academics.
 - Partnerships and collaborations formed with companies connected to IMG.

