

## Valuation of a Fictional Character

Intensity 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.

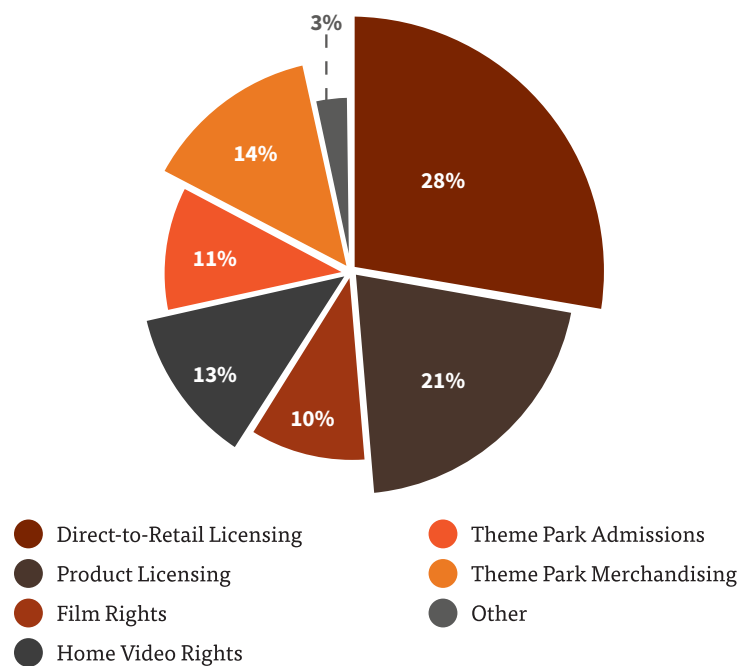
### Summary

Intensity was 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. Intensity 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, Intensity 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 Intensity 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, Intensity 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.

### Character Revenue Streams



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

## Our Approach

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

### Extrapolation

based on comparable characters

Intensity 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

Intensity 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

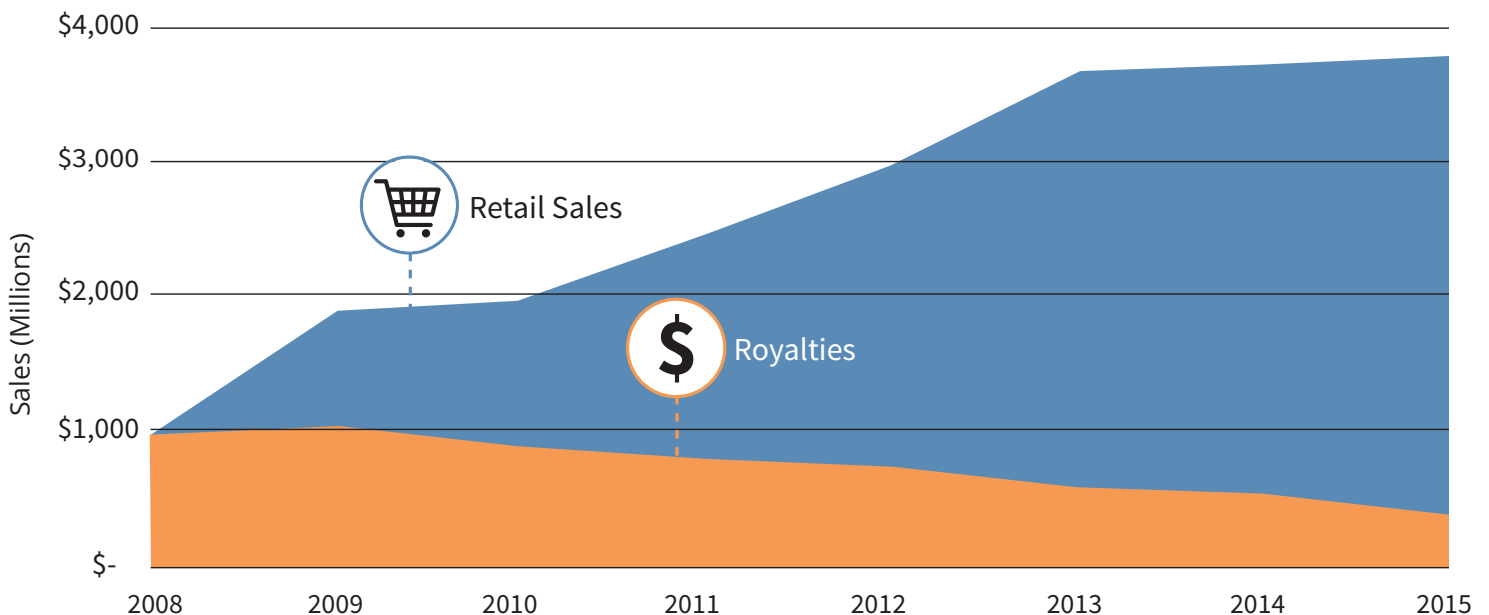
of third-party data

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

## Results

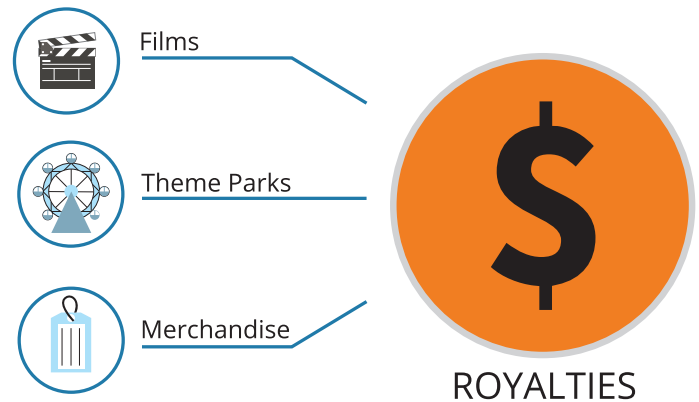
Intensity's valuation of the fictional character was higher than the company's own valuation. One interesting finding was that royalties for the fictional character did not correspond to the growth of the fictional character's retail sales, which is shown in **Figure 2**. Intensity determined that looking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

### 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.

Intensity 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, Intensity provided our client with an accurate and reliable assessment. Intensity'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.** Intensity's client used our analysis to evaluate royalties related to the character's use in films, theme parks and merch.

## Valuation Applications

Intensity 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:

### Asset Sale or Transfer

Validate the terms of an asset sale or transfer. Ensure that asset reporting is accurate and compliant with tax law.

### Financial Accounting

Allow companies to comply with SEC reporting requirements. Facilitate proper financial planning.

### Legal Disputes

Provide a basis for monetary damages in a litigation context.

### Asset Collateralization

Enable lenders to accept an intangible asset as collateral for a loan.

### Licensing

Provide the basis for fees for licensing trademarks, patents, or other intangible assets.

### About Intensity

Intensity generates excellence through powerful research, analysis, and expertise to solve the most complex challenges in the marketplace and courtroom. We consistently deliver reliable results that are built upon meticulous research, intense scrutiny, and scientific analysis.

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