

# FinTech Valuation

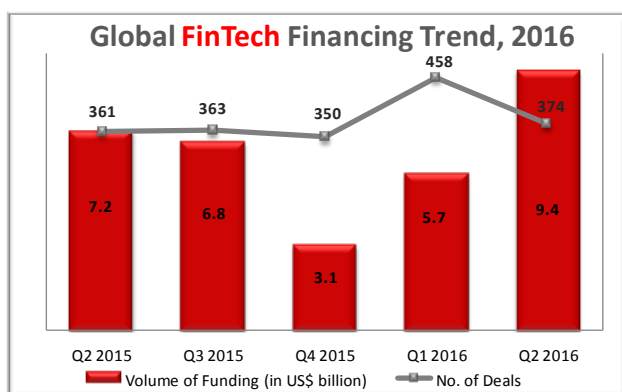
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BMI Appraisals Limited

Nowadays, it is hard to imagine the people can live without internet. Technology has become the most essential element to our daily life and we integrate the technology into every part of our lives, our communities, our works and our businesses. Financial Technology ("FinTech") creates a revolution in financial services which links various businesses together to provide innovative, diverse and lean digital financial services to customers seamlessly.

## How important is FinTech industry?

The explosive growth of the FinTech industry continued in 2016. US\$9.4b had been invested in global FinTech companies in 2016Q2, increased by 65% in one quarter. Global FinTech investment overall grew 75% in 2015, exceeding US\$22b in funding.



Source: CB Insights and KPMG

## What is the problem of current valuation?

Valuation of FinTech companies is challenging due to the limited operating history, new technology and complex capital structure. Value of FinTech companies sometimes was mistakenly reported by general media, since they rarely know the purpose and preference contributed to the funding. As a result, the value was often overstated.

## BMA expertise

To cope with the new coming trend, BMA has experienced valuers and professional consultants specializing in FinTech. From our experience, the following valuation methods are commonly applied:

### Relief from royalty method

This method positioned as a simple method which considers practical application aspects. This method focuses on the cost that could save by owning the royalty instead of leasing it. This valuation method is common to value patents, utility models and trademarks.

### Multi-period excess earnings (MPEE) method

This model estimates the free cash flow derived from the intangible asset and then was deducted by the value of supporting assets, such as fixed assets and working capital. The result can be viewed as the value solely contributed by the subject intangible asset.

### Incremental Cash Flow method

This method measures the economic benefit provided by the subject asset. An intangible asset is valued based upon the additional profit or cost savings that the owner of the intangible asset will achieve in relation to if they did not own the intangible asset.

Should you have any enquiries, please do not hesitate to contact our Managing Director – Dr. Tony Cheng at (852) 2593 9633, our Senior Director – Ms. Joannau Chan at (852) 2593 9634 and our Director - Mr. Marco Sze at (852) 2593 9630. Your enquiries via our portal at [www.bmi-appraisals.com](http://www.bmi-appraisals.com) or by email to [enquiry@bmintelligence.com](mailto:enquiry@bmintelligence.com) are also welcome.

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