

The Intrinsic Value of Synthetic Technology Assets

October 29, 2021

The Intrinsic Value Motivation

Philosophically, the concept of intrinsic value can be characterized in terms of the value that something has “in itself,” or “for its own sake,” or “as such,” or “in its own right.”

In Economics, intrinsic value refers to some fundamental, objective value contained in an object, asset, project or financial contract. If the market price is below that value it may be a good buy—if above a good sale.

Therefore, intrinsic value is a key part of the concept of value assessment for investors seeking to uncover hidden investment opportunities.

There is no universal standard for calculating the intrinsic value of a company or project, but financial analysts build valuation/assessment models based on aspects of a business or project that include qualitative, quantitative, and perceptual factors.

- **Qualitative factors**—such as business model, governance, and target markets—are those items specific to what the business does and how it’s structured.

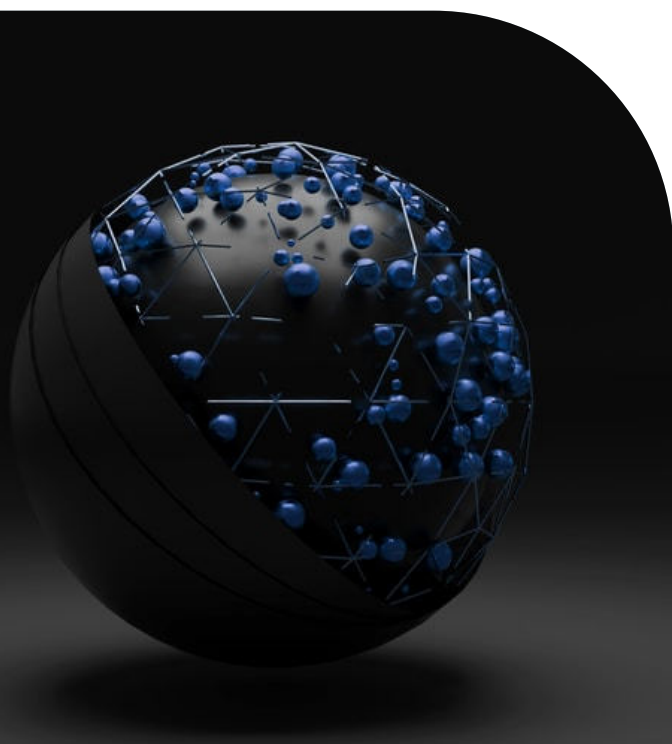
- **Quantitative factors** contained in the fundamental analysis include financial ratios and financial statement analysis. These factors refer to the metrics of how well the business performs.

- **Perceptual factors** pursue to capture investors’ perceptions of the relative worth of an asset. These factors are largely accounted for utilizing technical analysis.

$$\text{Intrinsic Value of Business} = \frac{FCFE_1}{(1+r)^1} + \frac{FCFE_2}{(1+r)^2} + \dots + \frac{FCFE_n}{(1+r)^n} + \frac{\text{Terminal Value}}{(1+r)^n}$$

$$\text{Intrinsic Value of Stock} = \frac{\text{Intrinsic Value Business}}{\text{No. of Outstanding Shares}}$$

Creating an effective mathematical model for weighing these factors is the bread and butter work of a financial analyst to perform an unbiased assessment. The analyst must use a variety of assumptions and attempt to reduce subjective measures as much as possible. In the end, however, any such estimation is at least partly subjective. Finally, the analyst compares the value derived by this model to the asset’s current market price to determine whether the asset or project is overvalued or undervalued.



Calculation of The Intrinsic Value for Synthetic Technology Assets



Some economists think that Free Cash Flow to Equity (FCFE) analysis is the best way to calculate the intrinsic value of a stock, project, or asset. First, you need to estimate all of a company's future cash flows. Then, calculate the present value of each of these future cash flows. And finally, sum up the present values to obtain the intrinsic value of the stock or project as follows, please see on the left side.

Now, looking at the crypto space we see the following picture: Similar to Fiat currency, Bitcoin (or most of the cryptocurrencies) is also not backed by any gold or silver hence does not have any intrinsic value. ... Hence, for any money to be established as an exchange of value within a network, the network needs to trust it regardless of who (or what) is backing it. In fact, unlike early coins made of precious metals, most of what's minted today doesn't have much intrinsic value. ... In other words, the paper money represented some claim on physical metal and could legally be redeemed for that metal on demand, in theory...

In contrast to the above-mentioned assets, considering Synthetic Technology Assets we have a solid collateral backing realized in form of the related IP locking. Here, the collateralization ratio might be relatively high even exceeding underlying IP value (IPV) by factor X.

Consequently, the intrinsic value (IV) of the Synthetic Technology Assets will be defined as follows:

$$IV = IPV * X$$

Therefore, for Synthetic Technology Assets we will face intrinsic value much higher compared to Cryptocurrency assets.

Moreover, **this intrinsic value tends to grow over time for most cases shaping a solid positive upside for your investment in the long term.**

If you're interested to learn how to assess IP assets with our decentralized models in more detail please visit our website DeTech.World

Join wonderful DeTech.World