

# A new look at valuation and the actuarial profession

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Institute of Actuaries of Australia



**What is  
sustainability  
?**



**What is its  
value?**





# One year later





# Five minutes later





## Valuation problems

- ❖ **Professional vs wasteful?**
- ❖ **Apples and oranges**
- ❖ **Imperfect information**
- ❖ **Short-termism (vs sustainability)**



## A real live case comparison

- ❖ Tech start-up 1999
- ❖ Electrical signal error decoding, welding app.
- ❖ Industry awards in Aus and overseas
- ❖ 2002: 4 on exec team, incl. inventor (not CEO); <10 distributors
- ❖ Complementary strategy incl. higher education
- ❖ Value \$3-5 million

- ❖ Tech start-up 1999
- ❖ Middleware for easy data exchange
- ❖ Industry awards in Aus and overseas
- ❖ 2002: 2 on exec team, inventor (CEO + CIO), angel; <10 employees
- ❖ Complementary strategy incl. higher education
- ❖ Value \$3-5 million



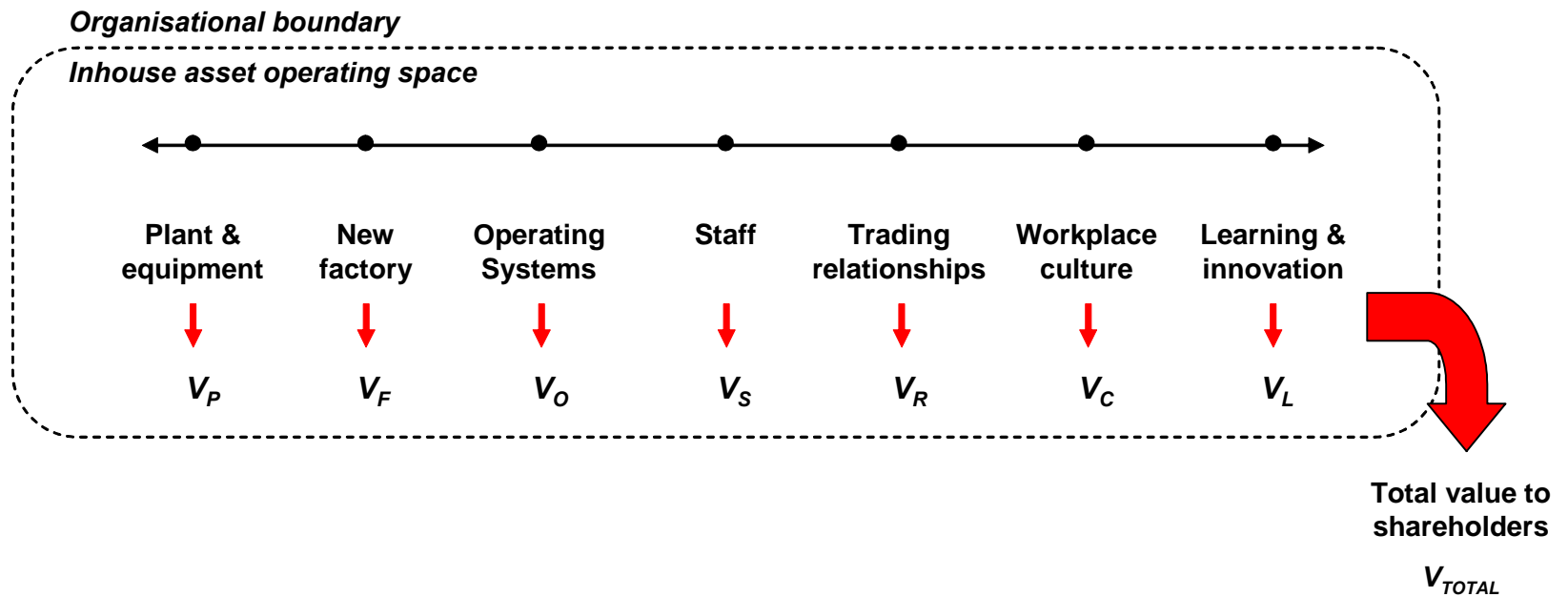
# Corporate Alchemy





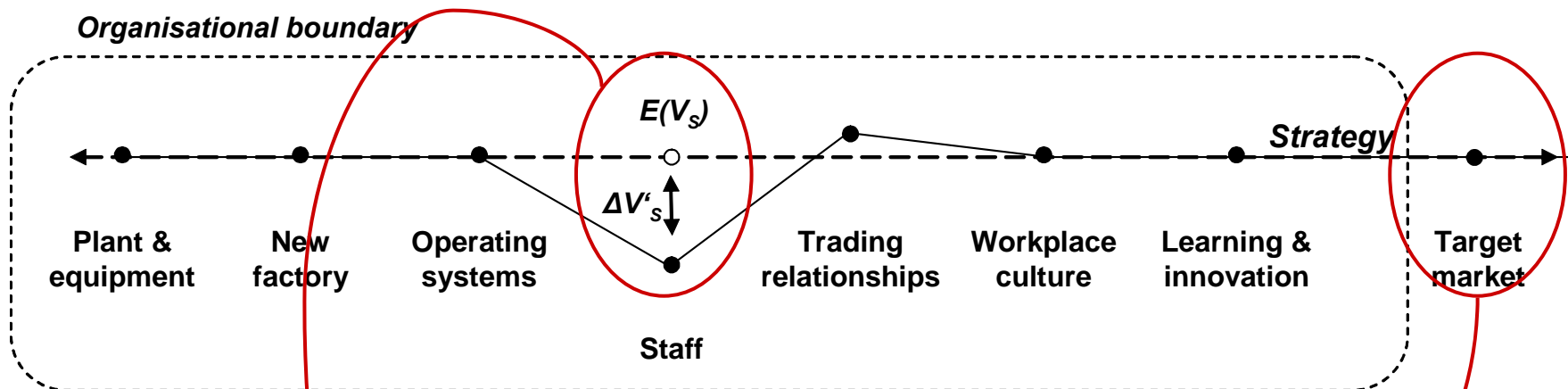


# Assets





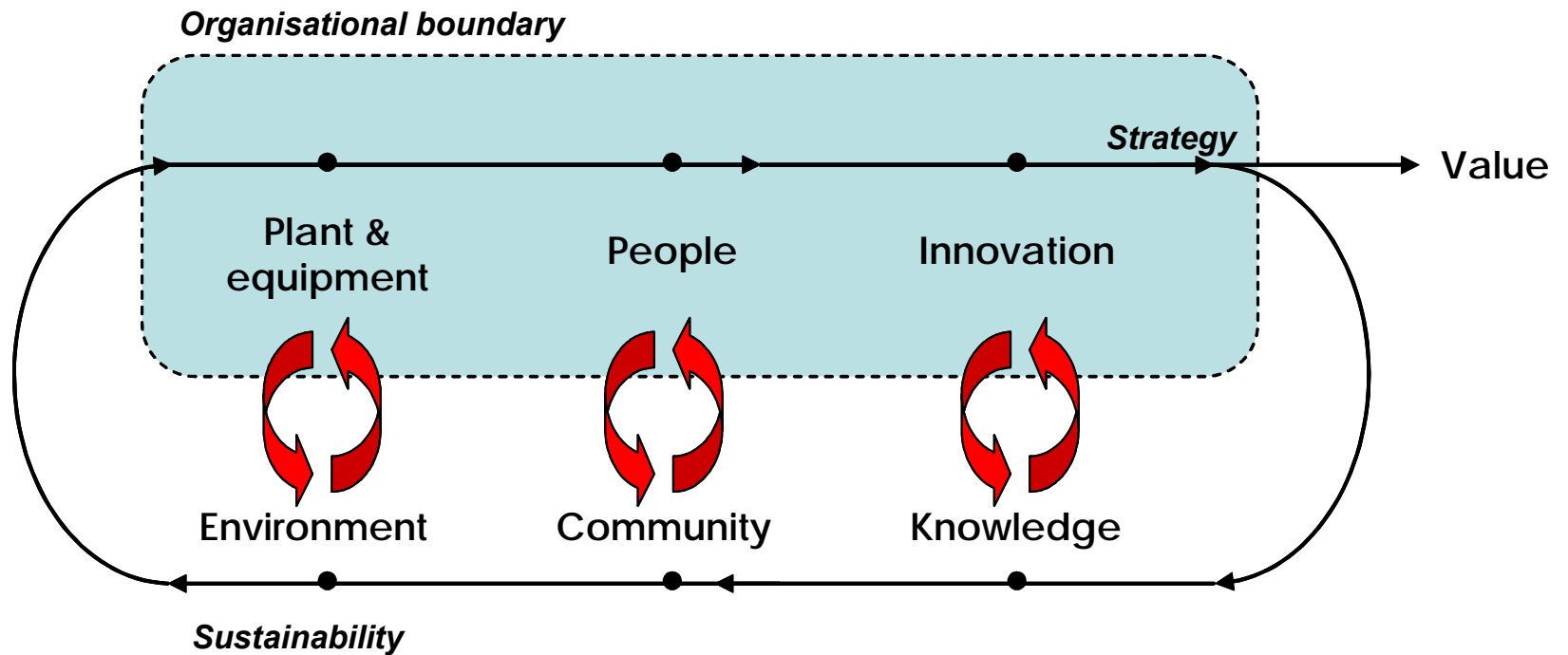
# Misalignment and value



$$\Sigma (\Delta V'_X) = V_{MAX} - V'_{TOTAL}$$

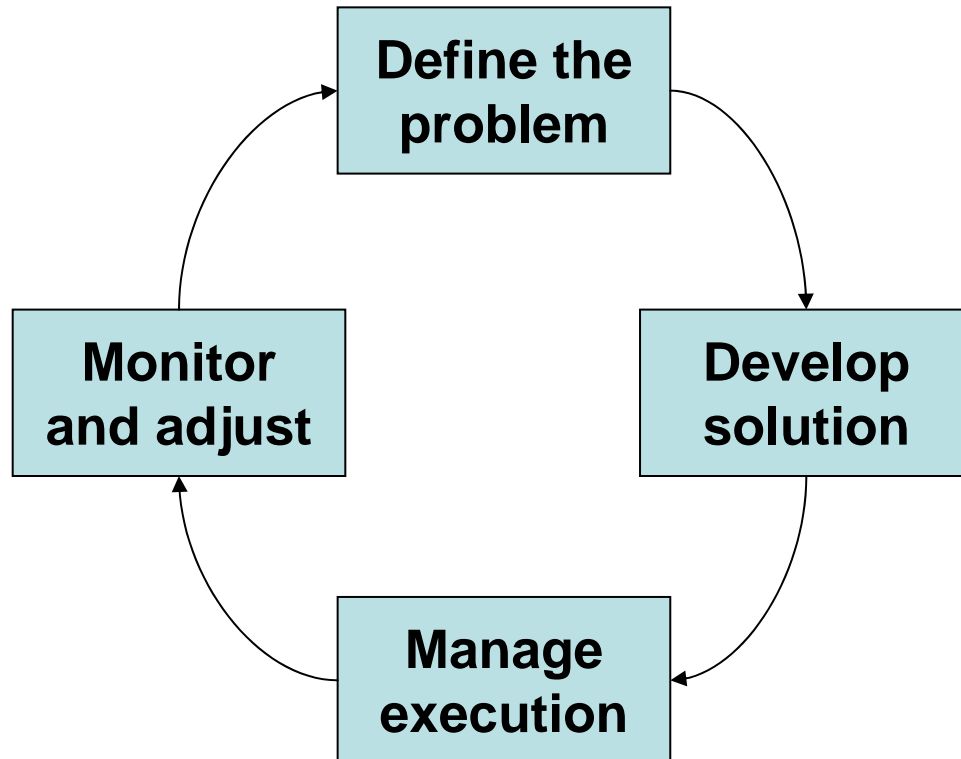


# Sustainability





# An actuarial revolution?



- ❖ **Ongoing (e)valuation of corporations**
- ❖ **Actuaries' USP: risk vs models**
- ❖ **Competition to the profession**
- ❖ **Technicians vs advisors**



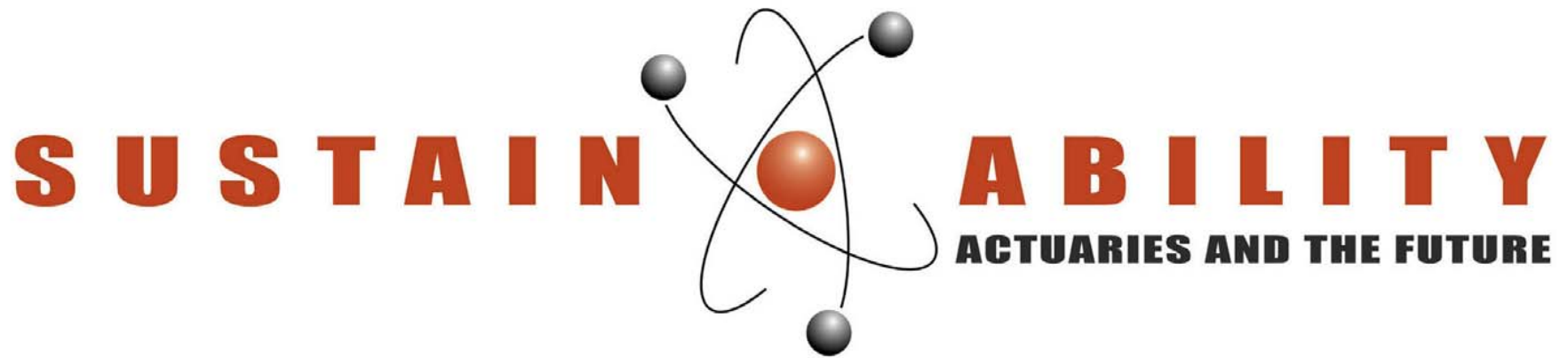
## The salient hypotheses

- ❖ **Returns to entities are just as predictable as returns to portfolios**
- ❖ **Modelling chaos undermines the understanding of it**
- ❖ **Alchemy is no mystery**



## Conclusion

- ❖ **A valuation methodology that is consistent across applications is warranted**
- ❖ **Managers and valuers must come to grips with how assets interact to create value**
- ❖ **The opportunity for actuaries – a return to risk management?**



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