Staff paper

Agenda reference: 17B

IASB® Meeting

Date	**May 2026**
Project	**Intangible Assets**
Topic	**Exploring user information needs—Summary of feedback from user outreach**
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Purpose of the paper

1. This paper summarises the feedback from our in-depth discussions with users of financial statements (users) on their information needs regarding recognised and unrecognised intangible assets and related expenditure.

2. This paper should be read in conjunction with Agenda Paper 17A *Exploring user information needs—Approach and staff desktop research* for this meeting. The desktop research summarised in Agenda Paper 17A informed the development of outreach materials and our initial expectations about the information entities currently provide in annual reports on intangible assets, which we then tested and refined through user in-depth discussions.

3. This paper does not ask the International Accounting Standards Board (IASB) to make any decisions. However, we welcome IASB members' comments and questions.

Structure of the paper

4. This paper is structured as follows:

   (a) key messages from user outreach;

   (b) overview of user background;

   (c) our approach to summarising the feedback;

   (d) summary of feedback from user outreach on:

      (i) valuation approaches;

      (ii) how users consider intangible activities in their valuations;

      (iii) sources of information and role of financial statements; and

      (iv) requests for improvements and reasons for them; and

   (e) question for IASB members.

5. Appendix A—Illustrative case study: healthcare (pharmaceutical) versus technology provides an illustration of how users described valuation workflows in those two sectors. It is included to help IASB members see the differences in information about entities' intangible activities in those sectors and how they affect the approach to valuation users take, the role financial statements play in that approach and why common challenges arise.

Key messages from user outreach

6. Users primarily treat intangible activities as drivers of future cash flows and economic performance, rather than seek to value individual recognised or unrecognised intangible assets in isolation. User assessment is anchored at the overall-business level, typically focusing on growth prospects, margin profile, cash-flow durability and risk.

7. Valuation is predominantly based on cash flows, with the discounted cash flow (DCF) method widely used—while multiples and trend analysis play an important role in

comparing entities and sense-checking (and sometimes as a practical alternative, particularly where long-horizon forecasts are highly uncertain or where information about intangible activities is not sufficiently granular to provide reliable inputs needed to build cash-flow forecasts). In addition, where comparability issues are acute (for example, because of differences in capitalisation levels), some users rely more on cash-based measures (such as free cash flow) and make adjustments to restate performance measures to a more comparable basis (for example, re-expensing capitalised development spend or removing amortisation of acquired intangible assets).

8. Some users described less common valuation approaches or areas of focus. These differences appear to be influenced by sector economics and the availability and granularity of information. For example:

   (a) because of the availability of more extensive information, some healthcare (pharmaceutical) users use a 'bottom-up' approach, performing a probability-adjusted, drug-level long-term cash-flow forecast to value the whole business or, at least, to sense check other valuation approaches.

   (b) across some sectors, a few users said they also perform returns-based analysis—using cash-flow and return metrics (such as return on invested capital (ROIC) and cash-flow return on investment (CFROI)) to assess investment efficiency and quality.

   (c) in communications and industrials sectors, some users focus on 'right-to-operate' assets (such as spectrum licences) as key value drivers. Their analysis, therefore, centres on the economic lives of those assets, their renewal and expiry risk and amortisation assumptions that affect cash-flow durability.

9. Generally, how intangible activities are considered in business valuations reflects which intangible activities are most value-relevant for a sector (for example, drug development in the healthcare sector; software and technology development in the technology sector; brand building and customer acquisition and retention in the consumer sector; content creation and management of spectrum licences in the

communications sector; and securing and maintaining operating licences or rights to operate in the industrials sector).

10. In their valuation models, users consider qualitative information about these sector-relevant intangible activities and related metrics—for example, clinical phase, patient population and patent expiry in the healthcare sector; customer retention, churn, and net revenue retention (NRR) in the technology and consumer sectors; and specific spend indicators and outcome and market-share type indicators in many sectors—rather than a single universal metric set. These factors primarily inform users' assumptions about growth prospects, margins, cash-flow durability and risk.

11. Many users said that they often rely on information about an entity's past performance to help them assess how the entity's intangible activities could affect future earnings and cash flows. For example, they consider 'trust' in the management team, the management team's track record of developing new products or technologies and historical performance (margin trend analysis, assessments of the effects of past intangible-related spend on revenue) as proxies for future value creation. They often said this is because information about intangible activities is limited, aggregated or commercially constrained.

12. Users use multiple sources of information when gathering useful information about intangible activities (and intangible-related spend). Financial statements are typically a starting point for analysis and a sense-check (for example, as a historical anchor or confirmation of previous assumptions and forecasts) rather than the primary source for intangible-related inputs. Users commonly supplement financial statements with narrative reports (such as management commentary, management discussion and analysis (MD&A) or strategic reports), investor relations materials and external sources (such as expert calls, databases, industry reports and other information where available).

13. Users discussed several interrelated challenges to their analysis which centred around these broad themes:

(a) linking spend on intangible activities to outcomes—which related to intangible-related amounts often being too aggregated (or classified inconsistently), difficulties separating ‘maintenance’ versus ‘growth’ spend and lack of outcome-related information;

(b) linking information provided outside the financial statements and amounts in the financial statements (current-period linkage)—with financial statements being hard to reconcile to the narrative ‘value creation story’;

(c) comparability across entities—including challenges comparing entities making different capitalisation versus expensing judgements and challenges comparing acquisitive entities with entities growing organically; and

(d) insufficient information on recognised intangible assets—with users struggling to understand entities’ capitalisation, valuation, amortisation, impairment and categorisation decisions on both internally generated intangible assets and those acquired through business combinations.

14. Most users preferred enhanced disclosure requirements and transparency rather than expanding the recognition of internally generated intangible assets, and expressed limited appetite for broader recognition, citing concerns about judgement (including earnings-management risk), auditability and comparability.

15. Users’ requests for improving the usefulness of information about recognised and unrecognised intangible assets and associated expenditure included:

(a) to link spend to outcomes—greater disaggregation of intangible-related spend (most commonly of expensed amounts, but also disclosure of total spend and more detail on capitalised amounts) and better evidence on outcomes;

(b) to link narrative to numbers—disaggregation of expenses (and revenue) in financial statements in a way that aligns with how entities discuss intangible-related programmes, projects or products in the narrative sections;

(c) to improve comparability across entities—information that makes the basis of reported amounts more transparent and explains entities' capitalisation versus expensing judgements; and

(d) to understand recognised intangible assets—better information on entities' amortisation and impairment judgements, and on purchase price allocation and post-acquisition performance of assets acquired in a business combination.

16. Most users also acknowledged constraints on the provision of additional information, especially on providing more granular, entity-specific disclosure on spend—most commonly related to commercial sensitivity and competitive harm. Some users suggested some practical mitigations such as choosing an appropriate level of aggregation (for example, at a segment level), applying threshold- or trigger-based requirements and using concentration metrics (for example, focusing on the most significant programmes or projects).

Overview of user background

17. As noted in paragraph 7 of Agenda Paper 17A for this meeting, we worked with the IASB stakeholder engagement team to organise and conduct 22 in-depth discussions with equity-analysts—17 one-to-one meetings and five meetings with groups of analysts. If meetings involved analysts from multiple sectors, we, to the extent practicable, attributed comments to the relevant sector based on the context in which they were expressed. Analysts we consulted were mostly based in Europe, North America and Asia–Oceania; but we acknowledge they may invest outside their home jurisdictions. Meetings took place from October 2025 to March 2026.

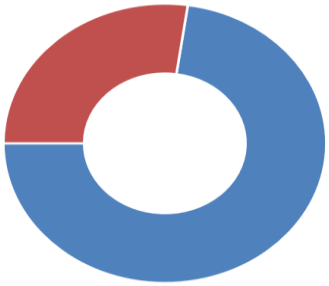
18. Diagrams 1 and 2 show the analysis of the outreach events by sector and user type:

Diagram 1—Analysis of outreach events by sector

Sector	Events Number	Percentage
Healthcare	6	27%
Technology	5	23%
Consumer	2	9%
Communications	2	9%
Industrials	3	14%
Mix+General	4	18%
Total	**22**	**100%**

*'Mix+general' covered technology, consumer, communications, industrials and others.

Diagram 2—Analysis of outreach events by analysts' type



Analysts' type	Events Number	Percentage
Sell-Side	16	73%
Buy-Side	6	27%
Total	**22**	**100%**

Our approach to summarising the feedback

19. This paper summarises the feedback from the in-depth discussions with users described in paragraphs 17–18 of this paper. Agenda Paper 17C *Exploring user information needs—Summary of additional evidence* for this meeting summarises additional evidence on user information needs from other meetings and research.

20. In organising the feedback from the in-depth discussions, we sought to reflect how users described their information needs in practice. Accordingly, we summarised the feedback around four broad topic areas:

    (a) valuation approaches;

    (b) how users consider intangible activities in their valuations;

    (c) sources of information users rely on and the role of the financial statements within the broader information set; and

    (d) requests for improvements and reasons for them.

21. For each topic area, we first sought to set out common themes heard across sectors and then highlight sector-specific themes if comments differed because of sector economics, business models or the nature of the relevant intangible activities. We have included staff commentary to draw out linkages, clarify how themes relate to one another, and explain why some differences appear to arise. This commentary is signposted and included selectively to support IASB members' understanding of the feedback. Agenda Paper 17D *Exploring user information needs—Implications for project direction (initial staff thoughts)* for this meeting provides initial staff thoughts on the implications of the findings for the project's direction.

22. Users' comments about potential improvements often combined observations about current challenges with suggestions for how information could be improved. We grouped user comments around four challenges that were most commonly mentioned, and for each summarised:

    (a) challenges users described (and why it matters for their analysis);

    (b) improvements users requested that would help; and

    (c) constraints on providing requested information and possible mitigations (if mentioned).

Summary of feedback from user outreach

Valuation approaches

Common themes

23. In-depth discussion with almost all users, across all sectors, confirmed that they primarily treat intangible activities as drivers of future cash flows and economic performance, rather than seek to value individual recognised or unrecognised intangible assets in isolation. User assessment is anchored at the overall-business level, typically focusing on growth prospects, margin profile, durability of cash flows and risk.

24. Most users described their valuation approach as predominantly cash-flow based, emphasising free cash flow and related cash-based measures (for example, cash conversion and cash-return measures such as ROIC and CFROI) in assessing long-term value and performance. However, some users said they focus on earnings (such as operating profit) using earnings as a proxy for cash flow (observed mostly in consumer and technology sectors).

25. Users described how they approach valuation:

    (a) *use of DCF models*—most users said that DCF is widely used as the primary valuation method across most sectors, typically incorporating long multi-year forecast periods (often 5–20 years) and an explicit terminal value.

    (b) *use of multiples*—some users said that multiples (for example, price-to-earnings ratio (P/E), enterprise value-to-earnings before interest, taxes, depreciation and amortisation (EV/EBITDA), enterprise value-to-earnings before interest, taxes and amortisation (EV/EBIT(A)) are used alongside or instead of DCFs as a sense-check or comparability tool, primarily against sector peers (and for some generalist users, across sectors).

Sector-specific themes

26. Many **healthcare (pharmaceutical)** sector users use probability-adjusted, drug-level DCF models. They often build mini-DCF projections for each major asset (drug) and, where relevant, sense-check key assumptions using benchmarks (for example, applying a multiple to estimated peak annual sales). See Appendix A of this paper for additional information. Healthcare (pharmaceutical) users also said that in practice:

    (a) forecast horizons can extend into the late 2030s or 2040s to capture the full lifecycle of key drugs—one user said in their firm, healthcare sector models forecast further out than other sectors;

    (b) terminal value is often limited or omitted because cash flows drop sharply after patent-expiry;

(c) a different approach is taken by some users for large (major) pharmaceutical entities, for example, including a terminal value with ongoing research and development (R&D) expenditure; and

(d) bottom-up drug-level DCFs are used by some users as a sense-check for entity-level overall DCF valuations.

27. One **healthcare** sector user said that forecast periods can be much shorter outside the pharmaceutical industry. They suggested this can reflect a combination of factors, including differences in product lifecycles and uncertainty (and, in some cases, less granular information available about entities' intangible activities). For example, in the medical technology (MedTech) industry models may only forecast out in detail for 2–3 years, with much of the valuation captured in the terminal value.

28. Some **technology** sector users said they rely on valuation multiples alongside (or instead of) a full DCF, especially when a DCF is impractical, long-term forecasts are highly uncertain or the analysis would be overly assumption-heavy. Their reasons included:

(a) information available about intangible activities in the broader information set, including the financial statements and narrative reports or other communications, is not sufficiently granular to estimate long-term cash flows (for example, spend is bundled, project or product detail is limited and useful lives, amortisation and capitalisation practices vary between entities and within the same entity over time);

(b) multiples are easier to compare across peers (and sometimes across sectors), even though users observed that differences in accounting judgements—most notably on capitalisation versus expensing and on amortisation of acquired intangible assets—can distort earnings; users therefore often adjust those multiples in light of those differences; and

(c) in some industries (for example, information technology (IT) services), faster technological obsolescence can further reduce the practicality of long-term DCFs.

29. A few **technology** sector users said that alongside other valuation methods they seek to perform a returns-based assessment, focusing on cash-flow and returns metrics such as ROIC and CFROI. They described these measures as efficiency or productivity metrics used to assess how investment feeds into returns.

30. One **technology** sector user said the usefulness of granular intangible-related information can depend on an entity's maturity and the materiality of intangible investment, which can affect how users approach valuation and the level of modelling detail they attempt:

    (a) for early-stage entities investing ahead of revenues, more granular information (sometimes including project-level detail) can be important for assessing capital allocation and risk.

    (b) for mature entities, intangible-related expenditure (including R&D) is often viewed as a recurring cost that scales with revenues and aggregate or segment-level information is typically sufficient—project-level detail being less critical. Consistent with this, the user said that the entities they follow are not valued 'on intangible assets' and that intangible activities are largely irrelevant to their valuation approach; instead, they focus primarily on free cash flow.

31. A few **consumer** sector users said they analyse earnings or operating profit, focusing on operating margins and their durability, which they linked to the power and quality of brands. They explained that operating profit and margins are often used as a practical proxy for sustainable cash generation.

32. In some sectors—such as **communications** (telecoms) and **industrials**—specific right-to-operate intangible assets are often core to their business model (for example, spectrum licenses, airport landing rights and operating licences). In those sectors, most users said that their focus shifts to asset-specific characteristics that drive cash-flow durability—particularly economic life, renewal or expiry risk and management's amortisation assumptions.

Staff commentary

33. We observed that the feedback suggests that the sector itself is not the primary driver of valuation methods—DCF remained widely cited, with multiples used for comparing entities and sense-checking. Instead, differences in valuation approach appear to be more strongly influenced by:

    (a) the availability and granularity of information (and the extent to which it can be used as inputs in forecasts); and

    (b) comparability challenges arising from entities' differing accounting judgements (notably capitalisation versus expensing and the useful life of recognised intangible assets).

34. In addition, we also think that differences in approach could be influenced by:

    (a) the entity's maturity and business model (including whether an entity is at an early investment stage); and

    (b) users' or firms' 'house' methodologies and preferences.

35. These factors can affect, for example, forecast horizon choices, reliance on cash-flow measures (such as free cash flow), and the nature and extent of adjustments users make to have more comparable performance measures.

How users consider intangible activities in their valuations

Common themes

36. As summarised in paragraph 23 of this paper, users primarily treat intangible activities as drivers of future cash flows and economic performance. This section explains how users use information about intangible activities (and related spend) to inform their valuation model assumptions about growth prospects, margins, durability of cash flows and risk.

37. The feedback from user outreach broadly corroborated our inference that users want to understand an entity's main intangible activities and how they affect its performance and cash flows. Users also supported the way we categorised the main intangible activities in the sector outreach materials, as summarised in Table 1: Main intangible activities per sector in paragraph 16 of Agenda Paper 17A for this meeting. Users generally viewed the sector-based activity framing as directionally right and consistent with how they analyse intangible assets—focusing on how sector-relevant intangible activities drive value creation and cash flows, rather than valuing individual recognised or unrecognised intangible assets in isolation.

38. Most users said that qualitative information helps them understand an entity's key intangible activities and interpret quantitative metrics and reported amounts. For example, some users said they consider the narrative discussion of an entity's strategy, business model and how the entity sustains competitive advantage ('moat') and—where relevant—discussion about innovation activities (such as pipeline quality and progress). They also look for indications of governance and capital-allocation discipline (for example, consistency in explaining investment choices, capitalisation judgements and impairment decisions).

39. Many users said that they use metrics—related both to an entity's financial and non-financial (or operating) performance—to inform assumptions used in their valuation models. Those users said that the metrics they use are sector-specific rather than a single common metric set. They said specific metrics used, and the extent to which they are observable from annual reports, vary by sector and within a sector (for example, platform versus non-platform models in the consumer sector). Examples cited include:

    (a) clinical phase, patient populations and patent-expiry—healthcare sector;

    (b) customer retention, churn, NRR and other customer metrics—technology and consumer sectors; and

    (c) specific R&D and other intangible-related spend indicators and outcome and market-share type indicators—many sectors.

40. Many users said that to assess how an entity's intangible activities could affect future earnings and cash flows they often consider the entity's past successes, margin trend information and 'trust' in management team. Consideration of these factors can be especially important when information related to intangible activities is limited and it is difficult to link spend to potential outcomes. We heard that an entity's past performance and management's experience affects users' assessment of risk and valuation premia from healthcare, technology, consumer, industrials and mix+general sector users.

41. For example, one technology sector user contrasted healthcare (pharmaceutical) sector—where based on available information users may use real-option pricing and decision-tree techniques to structure scenario outcomes—with technology sector, where users more often rely on experience and pattern recognition to judge how intangible-related spend could affect the entity's results (see Appendix A of this paper for further details). In that case, evidence of past execution (including consistency over time) and the credibility of management's narrative become key inputs to risk assessment when more granular information about the potential outcomes of intangible activities in the broader information set, including the financial statements and narrative reports, is limited.

Sector-specific themes

42. Users in different sectors highlighted different metrics (including those typically derived from external sources) as most useful, reflecting differences in business models and the nature of sector-relevant intangible activities.

Table 1—Examples of metrics used in various sectors

Sector	Examples of metrics	How the metrics are used
Healthcare (pharmaceutical)	See Appendix A for the broader set of pipeline inputs and how users feed those inputs into valuation assumptions.	

Sector	Examples of metrics	How the metrics are used
Technology / consumer / mix+general	**Customer metrics** such as customer churn, retention, NRR, concentration (and customer growth referenced alongside these).	To assess the durability of future revenue and cash flows (that is, growth persistence and related risk).
Technology	**Platform adoption/usage metrics** such as adoption metrics, client usage, platform progress and revenue contribution.	To assess whether platforms are gaining traction and monetising, and to inform assumptions about the durability of future revenue growth and cash flows.
	Employee-related indicators such as headcount breakdowns, cost per employee (noted by some users).	To interpret productivity and cost structure. Users cautioned that such metrics are not universally relevant and that employee-related metrics can be misleading where labour costs differ or workforces are globalised.
	'Risk/earnings quality' signals such as capital expenditure (capex)-amortisation gap (that is, the gap between user's assessed intangible-related investment spend and amortisation), useful lives and capitalisation threshold changes.	To flag impairment or earnings management risk and to assess cash conversion and earnings quality.
Consumer	**Platform models metrics** such as payment volume, monthly active users (MAU) and daily active users (DAU), average revenue per user (ARPU)-type / revenue-per-user metrics and customer retention.	Mainly to assess margin strength and durability.
	Non-platform model metrics such as repeat purchase rate, customer retention, customer lifetime value (CLV), brand strength, marketing return on investment (ROI) (alongside distribution indicators).	To assess customer loyalty and the pay-off from marketing or brand investment, supporting assumptions about margin and cash-flow durability.

Sector	Examples of metrics	How the metrics are used
Communications	**ARPU** (telecoms); **content/intellectual property (IP) engagement and monetisation metrics** (such as viewing hours per IP, MAU, revenue per user); plus **reinvestment/capex** adequacy monitoring.	To monitor reinvestment/capex adequacy for any obsolescence and competitiveness risk signal.
Industrials	**Subscriber-type model metrics** such as customer acquisition cost (CAC), customer attrition, customer churn and customer retention.	To assess the durability of future cash flows and margins (that is, the resilience of performance and related risk).
	Rights to operate / key customer relationships (qualitative).	Treated as qualitative risk-protection drivers.
Mix+general	**'Earnings quality' metrics** around capitalisation discipline (what is capitalised, thresholds, whether amortisation lags deployment).	To assess earnings quality and downside risk.

Staff commentary

43. We observed that, generally, how intangible activities are considered in business valuations reflects which intangible activities are most value-relevant for a sector (for example, drug development in the healthcare sector; software and technology development in the technology sector; brand building and customer acquisition and retention in the consumer sector; content creation and management of spectrum licences in the communications sector; and securing and maintaining operating licences or rights to operate in the industrials sector).

44. We also observed that:

    (a) in the healthcare (pharmaceutical) sector, users can often base forward-looking cash-flow estimates on comparatively granular pipeline and clinical information—frequently using probability-adjusted, drug-level modelling supplemented by external scientific and regulatory sources, and hence can model intangible value specifically; whereas

(b) in other sectors, more limited granular information and often greater commercial sensitivity mean users often rely on information about an entity's past performance to help them assess how the entity's intangible activities could affect future earnings and cash flows. Users said they consider 'trust' in management team, the management team's track record of developing new products or technologies and historical performance (margin trend analysis, assessments of the effects of past intangible-related spend on revenue) as proxies for future value creation. For example, customer numbers and MAU trends can provide an indication of the strength of a brand or product offering, which influences users' assumptions about future cash flows and growth rates. Appendix A of this paper provides an illustrative case study to show how the difference in information about an entity's intangible activities affects the valuation approaches in practice in healthcare (pharmaceutical) and technology sectors.

45. However, even in the healthcare sector, modelling precision varies by industry (pharmaceutical versus others) because of data availability, and users' judgement remains central across all sectors.

46. We think that, more broadly, the feedback also highlights that users' assessment of management's stewardship plays an important role in analysis and valuation. When useful information about intangible-related spend is aggregated, and the spend-to-outcome linkage is not readily observable from information available in the broader information set (including the financial statements and narrative reports or other communications), users appear to place greater weight on management's credibility and their track record—using these as inputs to risk assessment (and, in some cases, valuation premia). Relatedly, users' focus on governance and capital-allocation discipline suggests that entities' explanations of investment choices and management's key judgements (for example, on capitalisation and impairment) can help users assess management's stewardship and calibrate confidence in forward-looking assumptions.

Sources of information and role of financial statements

Common themes

47. Most users said that they use a wide range of sources—rather than a single source—when gathering useful information about intangible activities (and intangible-related spend). They said that these sources include:

    (a) financial statements;

    (b) management commentary (also known as MD&A, strategic report or equivalent narrative reports);

    (c) voluntary information provided by entities, such as investor presentations and other investor relations (IR) materials; and

    (d) external sources such as expert calls, channel checks, databases, industry reports, media and other information, where available.

48. Those users said that:

    (a) within this broader information set, financial statements are typically used as a starting point for analysis (that is, the first source of inputs users can model from—such as total spend on the relevant activity and the related revenue or cash-flow performance measures) and as a sense-check (for example, as a historical anchor or confirmation of previous assumptions or forecasts), rather than as the sole or primary source for assessing intangible activities.

    (b) other useful information is therefore often sourced outside the financial statements. Users commonly supplement the financial statements with management commentary and external checks.

49. However, a few users said that the financial statements already provide sufficient information for their analysis. For example, one technology user said that '…all the information is there…' in the financial statements (although not always clearly presented), and one mix+general user disagreed with the framing that users lack

sufficient information about intangible assets, noting that users must make assumptions and reconcile information as needed.

50. Overall, users broadly corroborated our desktop research on information entities currently provide about intangible assets in annual reports (see paragraphs 17–22 of Agenda Paper 17A for this meeting). Users, generally:

(a) agreed that both the amount and granularity of information provided in annual reports varies significantly (for example, by sector, entity size and life-cycle stage), and that most intangible-related information is qualitative and provided in narrative sections, with comparatively limited quantitative detail in the financial statements.

(b) echoed our observation regarding diversity in capitalisation practices and limited discussion of impairment triggers and assumptions, which can reduce comparability and make it harder to interpret reported amounts.

Sector- and user-specific themes

51. **Healthcare** sector—users (particularly pharmaceutical) commonly source information from external scientific, clinical and regulatory sources (including databases, journals, conferences and regulatory updates) and from market announcements to assess pipeline progress. A few users said they view annual reports as less timely for information about pipeline developments and use financial statements mainly as a high-level anchor (for example, for total spend and recognised intangible assets information) rather than as a primary source of information for pipeline evaluation.

52. **Communications** sector—users reported that IR materials can be the primary source for key performance indicators because financial statement information on content/IP performance is limited or inconsistent.

53. **Public-company** versus **private-equity** users—compared to public-company users, some private-equity users could access more detailed information through their position on these entities' boards.

54. **Access to data**—some users said that some data that could be useful for their analysis is only available from paid third-party sources. These users recognise that relying on free public sources might put them at a disadvantage compared to other users, but said they either do not have resources to pay for such data or only pay for it if it clearly adds value.

Requests for improvements and reasons for them

Introduction

55. User feedback highlighted several interrelated challenges. In discussing current challenges and potential improvements, users often used different terms to refer to the same challenge and suggested improvements that relate to more than one challenge. To summarise the feedback without unnecessary repetition, we identified the following broad themes based on the main challenges raised by users:

    (a) linking spend to outcomes;

    (b) linking information provided outside the financial statements and amounts in the financial statements (current-period linkage);

    (c) comparability across entities;

    (d) better information on recognised intangible assets; and

    (e) other topics.

56. For each theme, we summarised:

    (a) challenges users described (and why it matters for their analysis);

    (b) improvements users requested that would help; and

    (c) constraints on providing requested information and possible mitigations, if mentioned.

57. We observe that:

(a) users described a broader ‘information set’ they use when analysing intangible-related information—going beyond the financial statements to include, for example, operating and financial metrics in narrative reports and other communications. Accordingly, some of the issues described in this section may relate not only to the financial statements but also to difficulties linking information across that broader information set and comparing it consistently (for example, when the information about intangible activities in narrative reports or other communications is incomplete, is presented differently across entities or over time, or cannot be clearly linked to financial statement amounts). However, many comments about potential improvements focused on information in (or connected to) the financial statements, reflecting how we framed the outreach materials summarised in Agenda Paper 17A for this meeting.

(b) the outreach materials summarised in Agenda Paper 17A for this meeting included our inferences about how the information about intangible assets provided in financial statements could be improved (see paragraph 24 of that paper). Therefore, the ‘requested improvements’ described in this section reflect a combination of:

  (i) improvements suggested by users;

  (ii) staff suggestions that users agreed with; and

  (iii) cases where users considered staff suggestions and provided further specificity (for example, how to disaggregate intangible-related spend).

(c) some users, in some areas, did not always distinguish between ‘requests’ and ‘frustrations’ when describing challenges. Accordingly, we treated described challenges as signals of areas where users would benefit from improved information. This means the feedback sometimes combines explicit requests with implicit needs inferred from challenges, and some overlap is unavoidable (for example, one user may request an improvement where another expresses a frustration about the same area).

Linking spend to outcomes

Challenges to analysis

58. Almost all users across sectors said they often cannot reliably connect intangible-related spend to activities and outcomes—the information they need to forecast growth prospects, margins and cash-flow durability, and to assess management's stewardship and investment efficiency (for example, to assess a return on R&D spend).

59. Those users attributed that weak spend-to-outcomes connection to several factors, including:

    (a) some users said that intangible-related spend is often too aggregated (for example, there is limited disaggregation of R&D spend and marketing expenses can be embedded in selling, general and administrative (SG&A) expenses).

    (b) some users said that it is difficult to separate sustaining or maintenance spend from growth- or investment-like spend, affecting how they interpret margins and performance trends. They said that the nature of the spend is often opaque (for example, disclosures often do not clearly differentiate between internal employee cost versus outsourced work, or costs to develop new products or programmes versus costs to support existing products or programmes).

    (c) a few users noted that most intangible-related spend is expensed, with no 'impairment-like' information (or other outcome-based disclosure) to indicate whether that spend resulted in something valuable or failed or was abandoned—further weakening their ability to connect spend to outcomes.

    (d) a few users said that inconsistent definitions and classification of advertising and marketing expenditure (and related selling items such as commissions and rebates) between entities reduce comparability and make spend analysis difficult.

60. When linkage is weak, those users said that they rely more on trend analysis of observable operating metrics (for example, customer or user metrics) and of financial statements performance measures (for example, revenue and margin trends). These metrics and measures, supplemented by other information in narrative reports (for example, MD&A or management commentary) and available market sources (for example, databases or industry reports)—alongside users' own judgement and management's track record—are used as proxies. This is particularly acute for some users who are assessing 'spend efficiency or productivity' and who are not just forecasting cash flows (for example, R&D productivity or return-on-capital-style analyses)—which is more common in healthcare, technology and industrials sectors.

Requested improvements—Spend disaggregation

61. Almost all users across sectors asked for greater disaggregation of intangible-related spend—most commonly for expensed amounts, but some also sought disclosure of total spend (expensed plus capitalised) or more detail on capitalised amounts. The focus of the requested improvements differs by sector, reflecting which intangible activities are most value-relevant in that sector. For example:

    (a) **healthcare**, **technology** and **industrials** users most commonly emphasised R&D-related disaggregation.

    (b) **consumer** and **communications** users more commonly emphasised clearer visibility of selling, marketing and advertising expenditure within or alongside SG&A expenses, and, in communications, greater transparency over content/IP-related costs.

    (c) **industrials** users also highlighted the need for transparency over contract acquisition-related costs.

62. Different sector users suggested different ways of disaggregating intangible-related spend. Requests typically fell into the following categories:

(a) R&D expenses: many users asked for disaggregation by project or programme, product, stage of development, activity, segment, therapeutic area or geography (particularly in healthcare, technology and industrials sectors).

(b) marketing, advertising and related selling expenses: some users asked for:

  (i) these expenses to be disaggregated and presented separately from SG&A expenses, supported by clearer definitions (advertising, marketing and promotions); and

  (ii) where relevant, breakdown of expenses by brand or product—particularly for new products (more commonly in the consumer sector, with some in the healthcare sector).

(c) other expenses: some users asked for disaggregation of other expensed 'investment-like' costs, for example, separate disclosure of customer acquisition costs, data and platform build costs and training costs (observed in some sectors, such as technology, communications, industrials and mix+general).

(d) other types of disaggregation some users asked for:

  (i) by nature of expense: some users asked—primarily in relation to R&D and, in some cases, marketing and advertising expenses—for disaggregation by nature of expense. Examples included employee costs versus outsourced/contractor costs, fixed costs versus variable costs, and costs to develop new products or programmes versus costs to support existing products or programmes (observed in some sectors, such as healthcare, technology and consumer). Two technology sector users asked for a breakdown of capitalised amounts by cost type, including capitalised salaries or employee costs versus contractors/consultants costs.

  (ii) commitments: a few users asked for a breakdown of commitments, for example, for contract manufacturing and contract research (observed in a few sectors, such as healthcare and communications).

(iii) content/IP costs: a few users asked for greater transparency over content production and IP-related costs (observed in the communications sector).

(iv) research versus development split: a few healthcare users asked for a breakdown of R&D expenditure between research and development (sometimes with an analysis of the nature of the cost), although one user questioned the feasibility and benefit given commercial sensitivity; another user said they generally assume a typical split (for example, 70/30 development to research).

Requested improvements—Outcome evidence

63. Alongside more useful disaggregation of intangible-related spend mentioned in paragraphs 61–62 of this paper, some users highlighted the usefulness of outcome-focused metrics for their analysis (see Table 1 in paragraph 42 of this paper for examples of metrics used in various sectors). These sector-specific financial and non-financial (operating) metrics provide inputs to assess an entity's performance and cash-flow prospects, helping strengthen evidence about whether intangible-related spend is translating into outcomes and future cash flows. However, some of these users said these metrics are not provided by all entities on a consistent basis and are often only provided if favourable. A few users suggested that particular metrics be required to be provided in the financial statements.

64. Users that highlighted the usefulness of outcome-focused metrics described such metrics as complementary to spend disaggregation rather than as a substitute (observed in technology, consumer, communications, industrials and mix+general sectors).

65. The types of metrics users referred to varied by sector, industry within a sector and business model, and were typically framed as examples rather than as a standardised set. Common examples included:

(a) customer, user or engagement metrics (for example, customer retention, churn, NRR and ARPU) and market-share indicators; and

(b) financial metrics such as revenue and operating margin or profit by segment and innovation-related 'pay-off' measures (for example, the share of revenue from new products).

66. Based on the feedback, we think the usefulness of such metrics depends on clear definitions, appropriate context and a credible linkage to intangible-related spend.

Staff hypothetical idea testing—recognition as way to communicate outcomes

67. In exploring ways to improve spend-to-outcome linkage, we sought views from users on whether expanded recognition of internally generated intangible assets (that is, recognising all costs related to developing internally generated intangible assets as assets on balance sheet, with subsequent amortisation and impairment assessments) would help provide information on the outcome of intangible-related expenditure. The hypothesis was that if all intangible-related expenditure is expensed it is difficult to determine whether that expenditure has been successful or not. If that expenditure is capitalised then users would get a signal that the expenditure has been successful when amounts are transferred from assets under development to completed assets (and amortisation commences) and that it has been unsuccessful when an impairment is recorded. We explored this hypothetical suggestion primarily with users who highlighted difficulties linking spend to outcomes and those who sought to assess investment effectiveness; accordingly, the comments summarised reflect that subset of users.

68. Almost all users across all sectors expressed limited appetite for recognising more internally generated intangible assets, and preferred enhanced disclosure requirements over expanding recognition requirements. Their reasons included:

(a) many users said that broader recognition could increase judgement or subjectivity—in relation to the identification of costs to be capitalised and subsequent amortisation and impairment assessments—reduce auditability and

weaken comparability, with a risk of opportunistic application (observed primarily in technology, industrials and mix+general sectors).

(b) some users preferred an 'expense-all' model as the baseline. Some of these users suggested requiring as a note disclosure 'as-if capitalised' information, which would allow the user to calculate return on invested capital and monitor it over time (observed in the healthcare sector).

(c) one user cautioned that a 'capitalise-all' model with subsequent impairment could discourage risk-taking, because visible write-offs for failed projects may be perceived as 'punishing failure', and they did not want to discourage good management teams from taking appropriate risks (observed in mix+general (technology background) sector).

(d) some users said they would not regard capitalisation or the start of amortisation as a reliable signal of project progress or success, because management's assessment can be inherently optimistic (observed in technology and mix+general sectors).

69. In addition, a few users emphasised the need for discipline around any capitalisation model. For example:

(a) one mix+general user said that impairment risk may not sufficiently constrain over-capitalisation (for example, in the case of very long-term projects) and suggested disclosure requirements linking capitalisation to specific projects.

(b) one consumer user said a model that capitalises all spend may make sense for discrete, clearly identifiable new projects with eventual success or failure outcomes. However, it could be problematic for ongoing improvements to the business because capitalising this type of spend may not have incremental value beyond current operations.

70. In contrast to those who did not support expanded recognition, one mix+general user gave an example of a high-profile case in which an entity announced a significant impairment of some older acquired brands, which was a signal that those brands had

been underinvested in, and this had triggered a significant reduction in the entity's share price. The user said that this was only possible because those brands had been recognised as intangible assets.

71. We think that, overall, users' comments suggest they view 'recognition versus disclosure' as a trade-off between relevance and reliability—most users saw enhanced disclosure rather than expanded recognition as more likely to improve their ability to interpret performance, assess management's stewardship and capital allocation, and compare entities.

Highlighted constraints and suggested mitigations

72. Most users across all sectors acknowledged practical constraints on providing more granular, entity-specific disclosure about intangible-related spend—most commonly related to commercial sensitivity and competitive harm, as well as increased burden, complexity and cost for entities. Many users acknowledged that, if disaggregation were required at a product-, project- or programme-level, it could reveal commercially sensitive information and result in competitive harm, particularly if the information is future-oriented, for example, pipeline developments, R&D strategy or brand or marketing tactics.

73. Sector themes highlighted different 'pressure points'. For example:

    (a) in the **healthcare** sector, a few users highlighted product launch sensitivities and said some entities only disclose details at a late stage, and more granular timing or R&D cost breakdowns could result in competitive harm (including pre-emptive moves by competitors), particularly for generics (entities that seek to replicate drugs once patents expire).

    (b) in the **technology** sector, some users cautioned that granular disclosure about new technology being developed, such as data or artificial intelligence (AI) initiatives, could weaken competitive positioning. They also said that mandating granularity may be less effective given rapid change and limited comparability across differing AI/large language models strategies. Some

users said that currently entities tend to voluntarily provide more detailed information only when it signals strength.

(c) in the **consumer** sector, some users cautioned that introducing requirements to disclose operating metrics currently provided by platform-entities may not fit non-platform business models and could be burdensome.

(d) in the **industrials** sector, some users said that constraints could include security considerations, particularly in industries such as aerospace and defence, which can restrict what can be disclosed publicly.

74. In addition, a few users mentioned burden, complexity and cost constraints associated with producing and maintaining more granular disclosure, including systems effort and ongoing reporting discipline. They linked these concerns to feasibility—especially for smaller entities—and cautioned against requirements that would be difficult to operationalise or assure.

75. For suggested customer metrics and financial metrics, one technology user cautioned against requiring standardised metrics saying '…No generally accepted key performance indicator (KPI) standards in technology, so KPIs are case-by-case and standardisation is hard…'.

76. Some users said that information could be improved while at the same time limiting the disclosure of sensitive product- or project-level detail (those users are from technology, consumer, industrials and mix+general sectors).

77. These users suggested practical mitigations that included:

(a) choosing an appropriate level of aggregation when sensitivity is acute—for example, providing information at the reporting segment- (or similarly aggregated) level rather than at a product-, project- or programme-level.

(b) considering the materiality of the resulting information and using concentration-style indicators to focus the information to be disclosed on the most important programmes, projects or products—for example, providing

information about the ‘top five programmes or projects’ and their share of total R&D spend.

(c) applying threshold- or trigger-based requirements for significant investment programmes—for example, enhanced disclosure when spend exceeds a stated percentage of revenue and (where helpful) using ranges or bands rather than point estimates.

78. For suggested customer metrics and financial metrics, a few users said that, where such metrics are disclosed, they should be clearly defined and any changes to the definitions or to the metrics used should be explained over time. They said this would help maintain comparability and reduce the risk of opportunistic changes in how metrics are calculated or presented.

Linking information about intangible activities provided outside the financial statements with amounts in the financial statements (current-period linkage)

Challenges to analysis

79. Most users said they often receive information about intangible activities outside the financial statements, but struggle to reconcile that information to current-period amounts in the financial statements. For example, users said the narrative may discuss significant investment in a new technology or platform or a successful product launch, but the related spend (and sometimes the related revenue) is not traceable because it is bundled within broad line items or segment captions in the financial statements. This lack of linkage hinders valuation, forecasting and management’s stewardship assessment.

80. Some of those users in the healthcare (pharmaceutical) sector observed that extensive external scientific, clinical and regulatory information available can partly mitigate the need for more disaggregation of intangible-related spend. However, weak linkage to financial statement amounts still makes it difficult to anchor analysis and compare entities.

Requested improvements users said would help

81. Users agreed with our inferences in the outreach materials (see paragraph 24 of Agenda Paper 17A for this meeting) that a key improvement would be disaggregation of intangible-related spend in the financial statements in a way that aligns with how entities discuss those initiatives in narrative reports (for example, disaggregation of R&D, marketing and advertising, content or software-related spend by segment, programme, product, stage or activity). Such disaggregation would help users link narrative discussion of projects or programmes to current-period financial statement numbers and make their own judgements on margins, investment versus maintenance spend and potential growth. Some users also suggested entities provide revenue information for projects, programmes or products discussed in narrative reports.

82. A few users also requested a more informative presentation within the intangible assets note to support the linkage—for example, greater specificity in roll-forwards so that additions (and, where relevant, impairments) can be related to the major products, projects or initiatives discussed in the narrative.

83. These linkage-oriented improvements would be subject to the same constraints and mitigations discussed in the spend-to-outcomes section (most notably commercial sensitivity and the use of aggregation and thresholds, where needed).

Comparability across entities

Challenges to analysis

84. Many users across different sectors said they struggle to compare entities and assess earnings quality because the basis for reported amounts in the financial statements is not sufficiently transparent. This makes it difficult to understand how entities' capitalisation versus expensing judgements and differences in accounting on acquired versus internally generated intangible assets affect reported performance, cash flows and returns metrics.

85. Those users expressed the following concerns:

(a) some users said there is diversity in the judgements that entities make about the capitalisation versus expensing of intangible-related expenditure which hinders users' ability to compare different entities particularly when comparing performance measures such as EBITDA.

(b) some users said there is limited visibility of entity-specific capitalisation versus expensing criteria and the justification of why costs had been capitalised. For example, one user said that because of the limited information, they expense all costs that have been capitalised. Another user said they look for changes in thresholds and policies entities use over time as a 'red flag' to investigate.

(c) some users said differences in entities' growth strategies can significantly affect what intangible assets are recognised and the resulting amortisation patterns—yet users often have limited visibility of the rationale for recognition and of information that distinguishes acquired intangible assets from internally generated intangible assets.

(d) a few users said there is limited information on what costs have been capitalised—for example, one user wanted to know the extent of employee salaries that have been capitalised because they viewed these costs as an ongoing cost of the entity.

86. Users said that the limitations mentioned in paragraph 85 reduce comparability and lead to analyst workarounds—for example, 're-expensing' capitalised R&D and using cash-based measures such as free cash flow. Also:

(a) some users said they adjust profit measures to remove amortisation of acquired intangible assets (often viewed as non-cash and acquisition accounting-driven). A few users noted, however, that they typically retain amortisation related to recurring capitalised expenditure (for example, capitalised software) when it is viewed as an ongoing cost linked to continuing investment and cash outflows.

(b) one user said that ROIC comparability can be affected by the different capitalisation judgements entities make and that care must be taken when comparing ROICs between different entities.

Requested improvements

87. Across sectors, users' requests typically fell into the following categories:

(a) many users asked for clearer explanations of what is capitalised versus expensed—including:

(i) the basis and criteria applied;

(ii) what types of costs are included in amounts capitalised (for example, salary/employee costs, contractor/consultant or other outsourced costs) and, conversely, what remains expensed; and

(iii) where those amounts (including amortisation expense) are presented in the financial statements (for example, the relevant income statement line item(s) and the intangible assets note/roll-forward that separates amortisation of acquired intangible assets from amortisation of other intangible assets).

(b) some users suggested introducing reconciliations within the financial statements—for example, a reconciliation that starts with total intangible-related spend and shows how much is expensed and how much is capitalised (observed in healthcare, technology and communications sectors). This could help users compare entities that make different capitalisation judgements and facilitate user adjustments.

88. Also, we acknowledge that:

(a) some of the disaggregation disclosure suggestions (see paragraphs 61–62 of this paper) would also help address the concerns in paragraph 85 of this paper—for example, disaggregation of recognised intangible asset additions by project, product or segment and clearer breakdowns of what is being

capitalised (including by cost type, such as capitalised salaries), which can help users understand management judgements; and

(b) some of the disclosure improvement suggestions for intangible assets recognised in a business combination (see paragraph 91(c)–(d) of this paper) would also help address the concerns in paragraph 85 of this paper.

Recognised intangible assets: better information

Challenges to analysis

89. Many users across sectors said it is difficult to forecast the earnings and cash-flow effects of recognised intangible assets—and to assess impairment discipline and downside risk—because information provided about those recognised intangible assets is not sufficiently useful (including information about intangible assets recognised in a business combination).

90. In particular:

(a) some users said information provided by entities on useful lives and amortisation methods can be insufficient, inconsistent or change over time without clear explanation, undermining forecasts and comparability. Examples included:

(i) provision of very wide useful-life ranges (for example, three to 10 years) that are hard to translate into modelled amortisation profiles;

(ii) uncertainty about when capitalised additions start being amortised and how long they remain ‘under development’, creating a timing mismatch;

(iii) sector-specific concerns where judgements on amortisation methods can differ—for example, for spectrum licences (communications-telecoms) and content/IP (communications-media), where choosing straight-line or economic-benefit methods can materially affect earnings trends; and

(iv) aggregating dissimilar types of intangible assets into a single category (or using an 'other' category), sometimes with a single useful-life range or amortisation method, which can obscure the useful-life variations of the underlying items.

(b) some users said disclosures often do not explain clearly the circumstances and timing of impairments (and, where relevant, the reasons why impairments are not recognised when performance weakens).

(c) some users expressed the following concerns mainly about intangible assets recognised in a business combination, focusing on purchase price allocation outcomes and the basis for them, as well as post-acquisition information:

(i) one user said that there is limited information to understand the valuation approach and key assumptions underpinning separately recognised acquired intangible assets, which limits users' ability to assess subsequent performance against the acquisition-date rationale.

(ii) a few users highlighted inconsistency in acquisition accounting outcomes, including wide variation in amounts allocated to acquired intangible assets for similar acquisitions, often with limited explanation. One user provided an example in which approximately 20% to 65% of the purchase price was allocated to intangible assets for similar acquisitions with significantly different useful lives (three–12 years).

(iii) a few users said that purchase price allocation disclosures are of limited analytical value—these users said they focus instead on the cash spent on acquisitions and whether margins and cash generation improve following the business combination.

(iv) a few users said information is often most detailed at acquisition (for example, in IFRS 3 *Business Combinations* related disclosures) but less informative thereafter.

Requested improvements

91. Across sectors, the areas users indicated they would benefit from typically fell into the following categories:

(a) useful lives and amortisation information—some users highlighted the need for clearer, more disciplined useful lives and for information about amortisation periods and methods, including changes and reasons (observed in healthcare, technology, communications and mix+general sectors), for example:

(i) a few users asked for clearer and more specific disclosure of useful lives—including how useful lives are determined;

(ii) a few users described challenges that imply they would benefit from more disciplined/standardised or more consistent useful-life and amortisation judgements across entities;

(iii) a few users asked for clearer disclosure of amortisation methods and the timing of when capitalised additions start being amortised; and

(iv) a few users described challenges that imply they would benefit from clearer articulation of how amortisation methods reflect asset economics (and the implications for earnings trends)—particularly in content/IP and telecom-style models.

(b) impairment-related information—a few users asked for (and others described challenges that imply they would benefit from) more transparent impairment-related information (observed in healthcare, technology, industrials and mix+general sectors), for example:

(i) clearer explanations of the key triggers of impairment (or non-impairment) outcomes, including the circumstances that would cause impairment to be recognised; and

(ii) better disclosure of the main assumptions and sensitivity-style information to help users assess downside risk and the credibility of management's impairment discipline.

(c) acquisition-related disclosures—some users asked for improvements to acquisition-related disclosures to help them understand purchase price allocation outcomes. These requests included clearer explanations of what intangible assets are recognised separately from goodwill (and why) and of judgements on recognised amounts and key assumptions used. One user suggested that acquired intangible assets might be better treated as goodwill (rather than separately identified) to mitigate comparability challenges.

(d) post-acquisition tracking—a few users asked for better post-acquisition tracking of acquired intangible assets, so that users can understand how those assets perform and evolve over time, and for explanations of how (and why) amortisation methods and useful lives are chosen and impairment assumptions change (commonly in the healthcare sector).

Other topics

Newer types of intangible assets (cloud computing, agile development, AI and data)

92. As part of the user outreach, we asked some users—mostly in the technology, communications and industrials sectors where newer types of intangible assets are likely to be more prevalent—to highlight any shortcomings in information entities provide about them and to suggest improvements that could address those shortcomings.

93. Overall, the users' responses focused less on 'valuing' these items individually and more on the difficulty of understanding:

(a) the nature and scale of related spend;

(b) how it is classified (capitalised versus expensed), including the basis for the capitalisation decision; and

(c) how the spend links to operating outcomes and future cash flows (including whether spend is ‘maintenance’ or ‘growth’ spend and evidence of progress and returns).

94. Users said that the information currently provided in financial statements is often too aggregated to support analysis in these ‘fast-moving digital’ areas. For example:

(a) one user said AI, cloud and data spend is frequently aggregated into broader cost categories (including cloud subscription/usage), with limited visibility over embedded costs and missing or inconsistent disclosure of AI/graphics processing unit (GPU)/data-centre infrastructure spending and related depreciation;

(b) one user observed inconsistencies in the definitions of commonly used cloud metrics (for example, annual recurring revenue (ARR)) and uncertainty regarding useful lives for software-type assets, reducing comparability across entities;

(c) one user observed difficulty comparing differing AI strategies (for example, building an in-house model versus using third-party models), but said that rapid sector evolution makes developing prescriptive requirements difficult; and

(d) one user said that understanding material long-term cloud or service provider commitments can be useful and viewed those commitments as ‘quasi-debt’ obligations that affect risk and cash-flow durability.

95. Suggested improvements tended to be disclosure-led. For example, users asked for clearer:

(a) disaggregation of software, cloud and AI costs (including separating maintenance from growth-oriented spend where feasible and identifying embedded cloud usage/subscription costs);

(b) explanation of capitalisation criteria and the components of capitalised amounts and, where amounts are material, better roll-forward information to

help users understand how the spend translates into recognised balances and subsequent expense patterns; and

(c) disclosure of significant long-term cloud or service provider commitments (and, where relevant, other major digital infrastructure commitments).

96. We think that, overall, user feedback on the newer types of intangible assets in this paper is consistent with key messages discussed in January 2026 IASB Agenda Papers 17B, 17C and 17D: users asked for disclosure-led improvements—greater visibility of spend, clearer information about capitalisation judgements and better linkage to outcomes—rather than expanded recognition. However, the feedback in this paper provides more granular examples of user information needs, for example, the lack of information on long-term cloud commitments.

Measurement basis for internally generated intangible assets

97. A few users, primarily in technology, industrials and mix+general sectors commented on the measurement basis for internally generated intangible assets. They:

(a) cautioned against introducing fair value measurement for internally generated intangible assets; and

(b) highlighted concerns about subjectivity, auditability and management manipulation risk.

98. For example:

(a) one user expressed a strong preference for historical cost measurement basis and explicitly opposed fair value revaluation or third-party valuation estimates being recognised on the balance sheet. They viewed fair value estimates as not useful for analysis.

(b) one user cautioned that market-based valuations can fluctuate sharply and, in their view, fair value movements recognised through profit or loss would be potentially misleading.

Other disclosure requests

99. A few users raised targeted, sector-linked disclosure requests:

(a) two healthcare sector users asked for more useful patent-expiry or IP details, often framed as a desire for more comparable, tabular patent-expiry information, noting that such detail is often not readily available in financial statements and is frequently sourced externally.

(b) one communications sector user asked for better visibility on spectrum licences renewals, reflecting the relevance of renewal timing and associated risk to valuation in telecom-style models.

(c) one technology sector user asked for the explicit disclosure of government R&D credits.

Question for IASB members

Question for IASB members
Do you have any questions or comments on the feedback summarised in this paper?

Appendix A—Illustrative case study: healthcare (pharmaceutical) versus technology

A1. This appendix provides an illustration of how users (equity analysts) described their valuation workflows in two sectors—healthcare (pharmaceuticals) and technology—to help explain:

(a) the differences in information about entities' intangible activities in those sectors;

(b) how differences in that information affect the approach to valuation analysts take;

(c) the role financial statements play in that approach; and

(d) why common challenges arise.

A2. This illustration is not a model that all users apply. Different users in these sectors follow different approaches. However, the case study reflects recurring themes described in outreach and is therefore a description of the general approach followed in those sectors together with our observations.

A3. In both sectors, the main intangible activity is product development represented by R&D expenditure and capitalised development costs in the financial statements.

A4. Healthcare (pharmaceutical) was selected because it is an outlier in the extent of information about entities' intangible activities that is available to users from annual reports and other sources.

Table A1—Healthcare (pharmaceutical) versus technology

Area of differences	Healthcare (pharmaceutical): whole-of-life, drug-by-drug DCF (probability-adjusted)	Technology: business-level valuation
Evidence base (where information comes from)	Users described multiple sources of information about drugs being developed (pipeline) by pharmaceutical entities, ranging from information voluntarily provided by entities, regulatory information required to be disclosed and other publicly available information (patent databases, prescription information, scientific conferences and journals), for example: • details of drugs being developed, target diseases, phases of regulatory approval reached; • results of clinical trials; • expected dates of next milestone; • patent information; and • target patient populations. Financial statements were described mainly as a high-level anchor and sense-check (for example, to identify spend information, trends, cash availability (for start-ups)), rather than as the primary source of drug-level inputs. Some users noted their scientific or clinical backgrounds to be able to understand the chemistry of the drug development and to make judgements about, for example, probability of success.	Users described drawing on multiple sources: financial statements and earnings releases, management commentary or other narrative reports, investor materials and external information such as expert input, channel checks and market intelligence. Our desktop research (see Agenda Paper 17A for this meeting) suggested that, unlike the pharmaceutical industry, there is limited information about R&D activity and what products are being developed— often only a relatively generic commentary is provided. Users confirmed this, describing R&D spend as a 'black box'. When products are launched it is at that point that users review publicly available information such as product details, technology descriptions, pricing and speak with industry experts and customers to understand the product's potential value. Compared to pharmaceuticals, users described the financial statements as more central to their analysis, providing spend, revenue and margin trend information.

Area of differences	Healthcare (pharmaceutical): whole-of-life, drug-by-drug DCF (probability-adjusted)	Technology: business-level valuation
What the model is trying to do	The information available allows users to explicitly value the intangible activity as part of the overall valuation of the business. Users often described valuing the business by building drug-level, probability-adjusted DCF/net present value (NPV) models for major products and pipeline assets, sometimes used alongside an entity-level DCF or another approach (for example, EV/EBITDA) as a sense check. The focus is on the economic life of a drug, including launch timing, ramp-up, peak sales and decline, and the effect of patent (exclusivity) expiry. The models often extend to capture full drug lifecycles or have long time horizons, for example, users described models that extended into the late 2030s/2040s. Terminal values are often limited or omitted due to the patent expiry cliff effect on revenue (although approaches vary).	Because of the lack of information about individual 'projects' or product development, possibly because information is commercially sensitive, the effect of the intangible activity on users' valuations is implicit. Users more often described relying on entity-level DCF models with shorter timeframes of 5–10 years and terminal values. There is more use of other approaches, such as multiples (Price/Earnings ratios) or CFROI.

Typical modelling steps in relation to intangible activity (illustrative workflow)	1. Define the portfolio of drugs in development (pipeline assets). Users had different views on which pipeline assets to include. Some assigned different probabilities to all pipeline assets in all phases, others only included pipeline assets once they reached a particular phase, for example phase 2 or phase 3. 2. Set clinical/technical success assumptions using phase-based or evidence-based probabilities. This will be based on expectations from historic drug development results and users' view of the likelihood of success of the particular chemistry or of drugs targeting a particular disease type (using their scientific background). 3. Translate clinical progress into timing assumptions (expected trial completion, regulatory filing, approval and launch dates), then set market-entry and ramp profiles—based on company communications and historic drug development experience. 4. Estimate revenue drivers (patient population, market size, pricing, uptake, penetration, competition and market share). 5. Model margins and cash flows over the drug life, explicitly reflecting patent (exclusivity) timeframe and post-patent expiry price erosion.	1. Start with a cash-flow and/or performance anchor (free cash flow, cash conversion, margins) and map how these can plausibly evolve. 2. Use operating metrics to infer durability and growth—commonly including customer metrics (depending on the type of entity) such as churn/retention/NRR, MAU-type metrics and customer concentration/trends (benchmarking against peers/competition where relevant to the business model). Also perform revenue and margin trend analysis in absence of more specific information about the effect of new products. 3. Use spend and intensity indicators (for example, R&D spend trend, R&D as % of revenue) as signals of reinvestment and strategy. 4. Overlay judgement about execution and risk, often placing more weight on management credibility and track record when the link between spend and outcomes cannot be directly observed. Overall, entity narrative (about its business model, strategy and product direction) and operating metrics are used. There is more reliance on users' experience and ability to spot trends and assess an entity's potential and resilience to justify inputs (for example, growth rates) into their overall models/valuations. The assessment of the effects of intangible activity on future cash flows (or assumptions within valuation models) is largely based on historic performance, with users assessing the effect of prior R&D spend on customer, revenue and margin

Area of differences	Healthcare (pharmaceutical): whole-of-life, drug-by-drug DCF (probability-adjusted)	Technology: business-level valuation
		growth and using historic trend information to assess the likely effect of current period R&D spend on future cash flows.
Financial statements	Financial statements tend to play a lesser role in users' valuation approaches for pharmaceutical entities (in relation to the intangible activity). Much of the information used is outside the financial statements. Users also mentioned publicly available information about costs to develop drugs and historic cost information about the costs of each phase of drug development, supplementing R&D spend information from the financial statements. However, users highlighted the importance of financial statements as a sense-check. There were some comments highlighting challenges in relation to comparability (capitalised versus expensed R&D spend), but these were not as significant as in the technology sector. This might be because of industry practice of when to commence capitalisation of development costs.	Financial statements play an important role in valuation approaches for technology sector entities. They are used to help users formulate inputs (for example, revenue and margin trend analysis). Frustrations around challenges to compare entities because of different capitalisation decisions, or because of different strategies in obtaining intangible assets (internally generated and acquired), are more pronounced. This may be because of the reliance on financial statement information for their valuation approaches. Users also use entities' capitalisation decisions as a sign of earnings quality.