


# VALUATION AND IMPAIRMENT CONSIDERATIONS FOR INDEPENDENT VALUER POST COVID 19 ERA





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# IVS STATES THAT RISK CAN BE CAUSED BY VARIOUS FACTORS AFFECTING EITHER THE ASSET ITSELF OR THE MARKET IN WHICH IT TRADES

- .Examples include:
  - for tangible assets reduction in market prices after the date of acquisition or valuation,
  - a deterioration in the projected future income of a security, 
  - a loss of liquidity compared with other assets,
  - costs for maintaining or developing an asset being higher than currently anticipated,
  - the rate of an asset's technical or physical obsolescence being higher than currently anticipated.

# VALUATION UNCERTAINTY CAN BE CAUSED BY VARIOUS FACTORS

- market disruption, 
- input availability, 
- choice of method or model.

# VALUATION UNCERTAINTY - MARKET DISRUPTION



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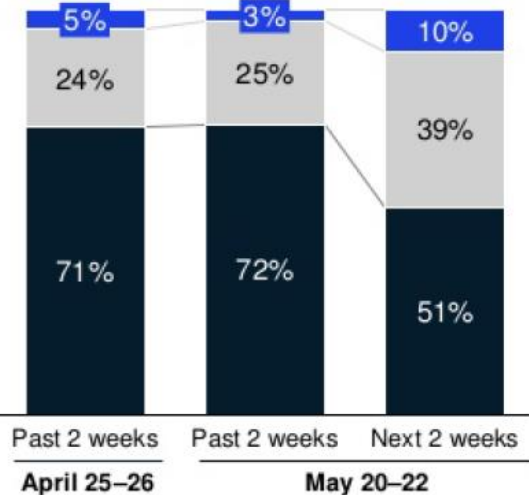
# MARKET DISRUPTION - CHANGE IN HOUSEHOLD INCOME

**Three-quarters of Indonesians have experienced decreased income and savings, though most are spending more**

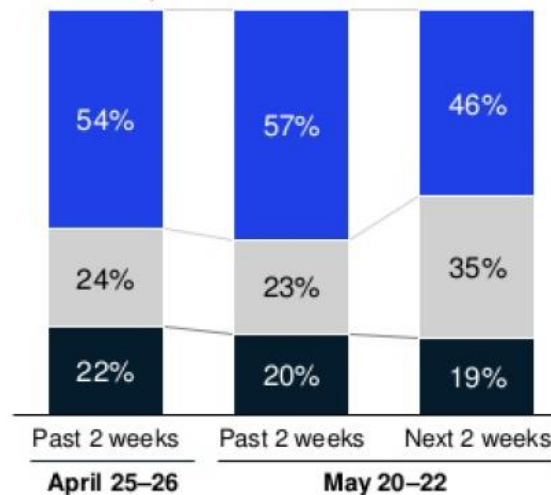
■ Reduce slightly / reduce a lot   ■ About the same   ■ Increase slightly / increase a lot



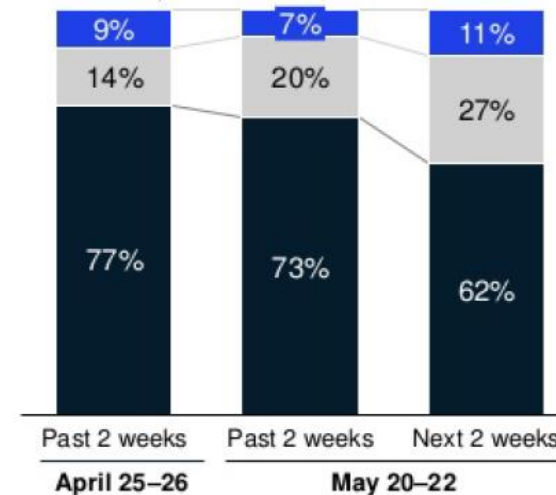
**Household income<sup>1,2</sup>**  
% of respondents



**Household spending<sup>1,2</sup>**  
% of respondents



**Household savings<sup>1,2</sup>**  
% of respondents



Source: Mckinsey Company survey report



# MARKET DISRUPTION – DROP IN OPTIMISM

## Optimism about an economic recovery has declined to its lowest level since March

Confidence in own country's economic recovery after COVID-19<sup>1</sup>

% of respondents



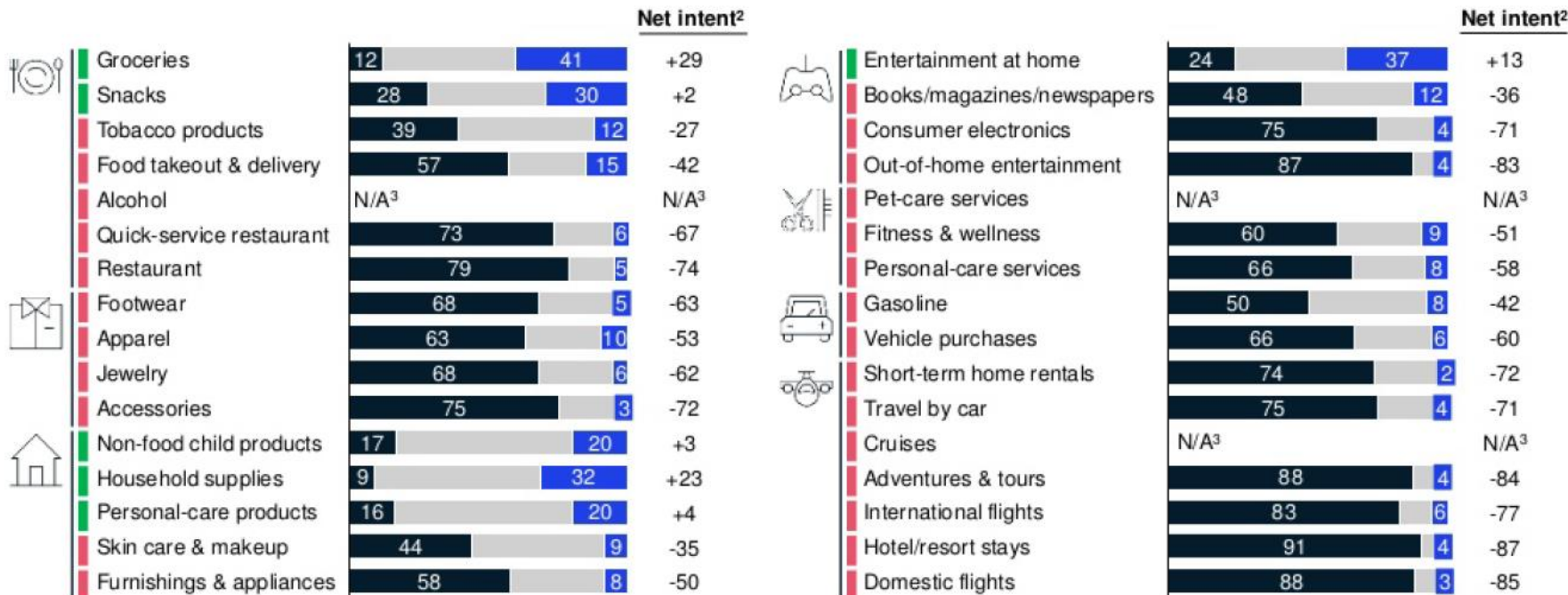
Source: Mckinsey Company survey report

# MARKET DISRUPTION – CHANGE IN PURCHASE PROFILE

## Consumers are spending more on some non-essentials, including snacks and entertainment

Expected spending per category over the next 2 weeks compared to usual<sup>1</sup>  
% of respondents

■ Decrease ■ Stay the same ■ Increase



<sup>1</sup>Q: Over the next two weeks, do you expect that you will spend more, about the same, or less money on these categories than usual? Please only select one response because of space.

Source: Mckinsey Company survey report



# MARKET DISRUPTION – NEW GROWTH IN CERTAIN INDUSTRIES

## Indonesians have picked up new digital and low-touch activities, including video chat and remote learning

Have you used or done any of the following since COVID-19 started<sup>1</sup> ☐ Not using ☐ Using less / the same ☐ Using more ☐ Just started using  
% of respondents



Consumers have intensified their usage of many activities, including **restaurant delivery, grocery delivery, online streaming, and playing online games**



# VALUATION UNCERTAINTY - INPUT AVAILABILITY



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# INPUT AVAILABILITY – RELIABILITY OF PREVIOUS PROJECTION GOES INTO QUESTION

- Potential changes in assumption such as:
- One time charges on loss due to shutdown and lockdown
- Change in expected growth rate , value driver & cost driver for certain industries
  - Some may go down drastically – retail restaurant, transportation & hotel
  - Some may go up – online retail, medical and insurance
  - Some may stay the same – Power plant with long term PPA
- Delay of launch and construction for new projects, new location
- Increase in discount rate as banks are facing high NPL
- New bank line normally easy to garner may not be available as the banks are focusing in thousands of account restructuring

**“The biggest question for the valuer is if this is a one time drop or does this covid 19 disruption create a major domino affect in the future cash flow of the asset being valued”**



# VALUATION UNCERTAINTY - CHOICE OF METHOD OR MODEL.



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# CHOICE OF MODEL

- Income Approach
  - Definitely the valuer must take into consideration the issues stated earlier
- Market Approach
  - The comparable in the market as well as the whole capital market globally has lost trillion of dollars in Market cap, so we should expect that it will adjust likewise, but then again if it is a one time market momentum, should the valuer take into consideration normalization of multiples?
- Asset Approach
  - There should be lower delta in movement in this approach unless you are heavily property based or property related

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# THANK YOU



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