

# THE FUTURE MEANS BUSINESS

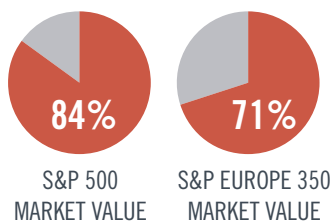
The investment implications of transformative new corporate models

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Companies are increasingly untethered from physical assets, employees and company-owned headquarters. The consequences for investors of these new “weightless” companies will be profound — and will require a significant shift in evaluating investment opportunities in public and private companies, and real estate, around the world.

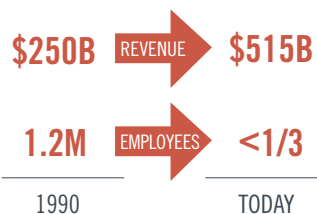
## Weightless Firms Have Driven Three Significant Macroeconomic Shifts

### THE RISE OF INTANGIBLE ASSETS



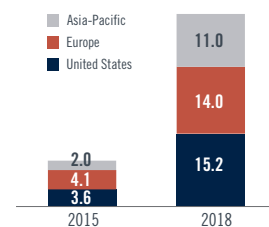
Nearly **84%** of the market value of the S&P 500 and **71%** of the S&P Europe 350 are comprised of intangible assets.<sup>1</sup>

### THE VANISHING EMPLOYEE



In 1990, the Big Three automakers had revenues of **\$250 billion**, and **1.2 million employees**. Today, the top three tech companies have **twice the revenues and fewer than one-third the number of workers**.<sup>2</sup>

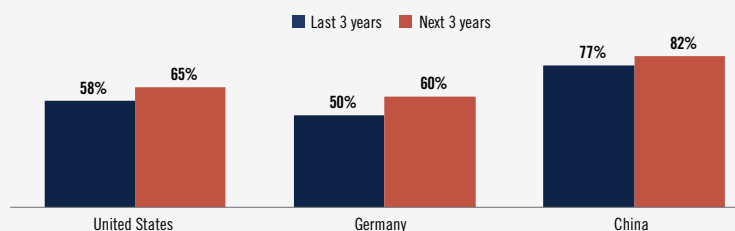
### A MOVE TO FLEXIBLE REAL ESTATE



There is an estimated **40 million square feet of flexible office space** across the U.S., Europe and Asia – a fourfold increase since 2015.<sup>3</sup>

## Intangible Assets Grow in Importance

Percentage of companies that consider intangible assets more important than tangible assets



Source: PGIM 2019 proprietary survey of over 300 public and private companies across the United States, Germany and China.

## Key Insights



### CONVENTIONAL WISDOM

The jump in intangible assets is driven primarily by tech and media firms.



### PGIM'S PERSPECTIVE

Intangible assets have been surging across all industries, even in capital-heavy sectors such as manufacturing, logistics and energy.

## Investment Implications

### 01 CORPORATE DEBT

Take advantage of opportunities in public and private corporate debt issued by weightless firms.

### 02 REAL ESTATE

Reposition real estate portfolios for the rise of flexible working and the gig economy.

### 03 PRIVATES

Evaluate increasing developed-market allocations to private equity and debt given the changing investment opportunity set in a weightless world.

1. "Intangible Asset Market Value Study," Ocean Tomo, 2017.
2. "The Rise of the Superstars," The Economist, September 15, 2016; Microsoft, 2018 10-K; Alphabet, 2018 10-K; Apple 2018 10-K.
3. "Trends for 2019: Global Real Estate Trends Set to Shape the Next 12 Months," PGIM Real Estate, December 2018.

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