



The Brand Finance Index of Canada's Most Valuable Brands 2007

A report prepared by Brand Finance Canada and LEVEL5 Strategic Brand Advisors
in collaboration with Socratic Technologies

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CANADA'S MOST VALUABLE BRANDS 2007

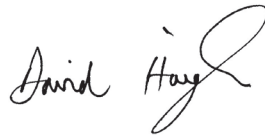
Foreword

Times are changing for the world's brands. Once upon a time, the only brand an accountant would consider valuing was a household packaged good like Tide or Head & Shoulders. Now everyone is eager to find their company's name on a brand valuation ranking. The early, popular brand rankings came naturally out of the advertising world and were an integral part of marketing brand identity and image programs. With changes in corporate accounting practices for intangible assets, accounting firms have had to dig deeper for credible 'balance sheet friendly' brand valuation methods.

The role of brands in society marches on despite the periodic controversy and random attempts to position 'branding' backwards as a 'Madison Avenue' slight-of-hand. In the face of this change, we would like to offer two principles about brands that are somewhat contrary to that notion. One: whatever you do to control or manage your brand should recognize the fact that the ultimate valuation is in the minds of your customers – ever smarter, marketing-wise and willful customers. Two: one of the least recognized and most valuable aspects of the brand is its role as a business system to grow the asset and not just as a marketing communication initiative. We believe companies that get this will rank higher on our lists over the long term because their brands will be growing and appreciating in value.

Leading corporations are reassessing the role of brand valuation in business planning. Changing accounting issues is one good incentive. Knowing how the marketplace feels about you relative to comparable corporations year-over-year is always helpful. Accurately measuring the success or failure of operating expenses attributable to brand building is just sound management. Finally, in a world where - if you've done it right - your brand is most definitely an asset,

precise valuation is a critical strategic tool for a wide range of future challenges including mergers, acquisitions, corporate finance, product development and investments to grow the brand, and to inform key marketing decisions including budget allocation/optimisation, portfolio analysis and brand architecture.



David Haigh CEO,
Brand Finance plc



Andrew Zimakas
Managing Director,
Brand Finance Canada

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Two: one of the least recognized and most valuable aspects of the brand is its role as a business system to grow the asset and not just as a marketing communication initiative.

We believe companies that get this will rank higher on our lists over the long term because their brands will be growing and appreciating in value.”

Canada's Most Valuable Brands

Welcome to the 2007 Edition of Canada's Most Valuable Brands compiled by Brand Finance Canada. We have expanded the list from 25 to 50 this year, making it the most extensive index of its kind. In order to be considered for inclusion, the brands, both B2C and B2B, must meet the following criteria:

- Listed on the TSX as of December 31, 2006
- Part of an organisation ranked in the top 100 in Canada by enterprise value
- Individual brands owned by multi-branded companies were included where they publicly recorded segmented financial data

We used information from Brand Finance, Socratic Technologies, Bloomberg and publicly available data to build our list.

There are a host of reasons why expanding the list this year makes sense. Mergers and acquisitions have brought hidden giants like Rona to the forefront. And a raft of new post-income trust brands such as Yellow Pages and Aeroplan cannot be ignored in the changing Canadian business landscape. We've also added a new list we call 'Iconic Brands'. It offers a viewpoint on classic domestic brand names that have indelibly imprinted themselves on everyday life.

Brand is defined most succinctly as 'trademark and associated intellectual property'. In order to add value, trademarks and trade symbols need to carry associated goodwill in the minds of customers based on the experience or reputation of high quality products and good service. We refer to this as the 'Trademark(s)'. Looking at a larger bundle of trademark and associated intellectual property rights extends the concept of the brand. Marketing intangibles such as domain names, product design rights, trade dress, packaging, copyrights in associated colours, smells, sounds, descriptors, logotypes, advertising visuals and written copy are often included in this wider definition. For the purposes of this index, this

is the definition we use for 'brand'. Brand Value can thus be defined as the net present value of the estimated future cash flows attributable to the Branded Business.

“...a raft of new post-income trust brands such as Yellow Pages and Aeroplan cannot be ignored in the changing Canadian business landscape.”

The methodology applied in the Brand Finance Canada index is called 'relief from royalty' or, more simply, 'royalty relief'. It is based on the hypothesis that a company does not own its own brand and calculates how much it would have to pay to license the brand from a 'third-party.' This method's credibility lies in the fact that the calculations reference documented third-party transactions. We like it because the math can be done from publicly available financial information. Brand Finance's 'Royalty Relief' method ensures year-over-year results are absolutely comparable. The Brand Finance methodology is widely accepted as the world's most credible approach, accepted as 'fit for use' by the IRS, Inland Revenue Service (UK and Australia) and the world's leading accounting firms.

Whether you are valuing brands as separate intangible assets or the branded business as a whole, the approach to valuation is very similar. To begin with there is a general presumption that valuations are based on the fair market value (FMV) principle. This is defined as: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion."

(International Valuation Standard 1, International Valuation Standards Committee.) In arriving at FMV the valuer has to use expected earnings based on the highest and best use (HABU) of the asset in question. HABU is defined as: "The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued." (International Valuation Standard 1, International Valuation Standards Committee.)

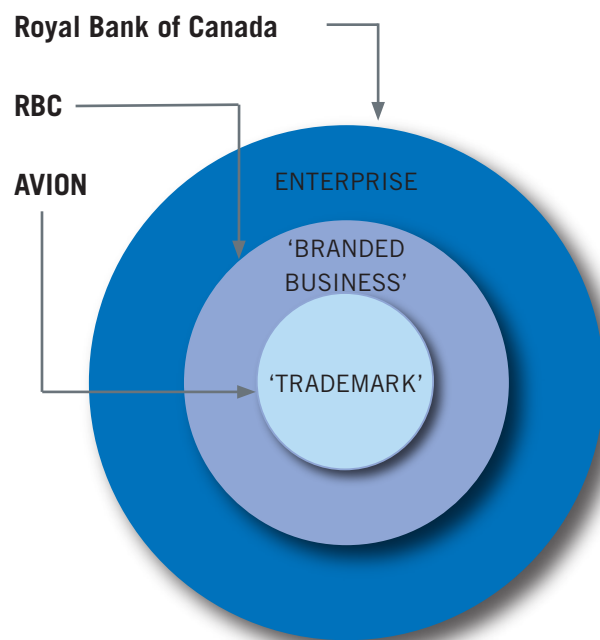
"This method's credibility lies in the fact that it is frequently accepted by tax authorities and courts because the calculations reference documented third-party transactions."

ROYALTY RELIEF METHODOLOGY

Royalty relief is an economic use approach that calculates the value of the brand by determining a royalty rate that would be payable if the brand were owned by a third party. The identified royalty rate is applied to estimated future sales revenues to determine an earnings stream that is attributable to the brand; ie, the brand's value is the equivalent value to what the company is relieved from paying by virtue of owning the brand. We first calculate a royalty rate range applicable to the industry and application. For example, beer brands typically command royalty rates in the range 2% (weak local brand) to 8% (strong international brand) of net sales revenues. We then assess the strength of each brand relative to its competitors across a range of measures to generate a Brand Strength Index (BSI) score out of 100. The BSI is used to pinpoint a rate in the identified royalty rate range. In the foregoing example a BSI score of 50 would result

"Everyone talks ROMI but most assessments are driven by short term profits generated through individual programs. Investors, and the boards that represent them, have a much broader set of concerns... Branding "competes" with every asset in the enterprise's portfolio and it cannot expect to command resources unless it can show how that allocation will lead to superior valuation of the enterprise as a whole... The ability to sustain those valuations requires something more than blind faith."

Dr. Ken Wong
Professor of Marketing, Queen's School of Business



in a royalty rate of 5% (midway point between 2% and 8%). The score is also used to generate the Brand Rating (see pg. 14).

This royalty rate is corroborated by reference to a profit margin analysis of comparable companies. Most research shows that profit margins are directly correlated with the royalty rates that

Canada's Most Valuable Brands (continued)

brands are able to command. After applying the royalty rate to sales revenues, the brand related earnings stream is then discounted back to a net present value (NPV) using a discount rate that is calculated from first principles. Discount rates used in this valuation approach are based on the widely accepted capital asset pricing model (CAPM) to determine a cost of equity that, when combined with a cost of debt and level of gearing, forms the weighted average cost of capital (WACC) applicable to the subject brand. The BSI analysis is also used to flex the WACC up or down based on the connection between brand strength and perceived risk; a weak brand is deemed to have a higher risk profile and commands a higher WACC; and vice versa. We call this BrandBeta® analysis.

Our tables this year include additional quantitative and qualitative valuation criteria to create a more robust BSI score. These include Compound Annual Growth Rate (CAGR), Market Share, Sales Growth and Profitability as well as expert evaluations internally and by an arms-length Advisory Team of metrics such as Reputation, Customer Loyalty, Visual Identity, Marketing Communications and Perceived Product/Service Quality.

Our external Advisory Team includes: Dr. Ken Wong, Professor of Marketing, Queen's School of Business; Dr. Tim Silk, Assistant Professor of Marketing at the Sauder School of Business, UBC; and Philippe Meyersohn, experienced former brand consultant based out of New York, he has also held senior level brand and marketing roles with several companies and is currently General Manager, Brand for MABE Canada.

“Most research shows that profit margins are directly correlated with the royalty rates that brands are able to command.”

“The importance of brands, and other intellectual property assets, has become increasingly apparent to the upper echelon of Canada's business leaders.

Brand Finance's Canadian specific valuation table will go far in helping business leaders understand the importance of brand value and assist them to focus and adjust their commercial objectives as a result. The premium shareholder value created by strong brands is underscored by the results of the rigorous analysis applied to the subject by Brand Finance, and its league table is a welcome addition to the brand protection world in which I work.”

Kelly Gill
Partner, Gowling Lafleur Henderson LLP

The Rankings

The Rankings

Rank	Brand	Company Name
1	RBC	Royal Bank Of Canada
2	TD	Toronto-Dominion Bank
3	Manulife	Manulife Financial
4	Bell	Bell Canada Enterprises
5	CIBC	Canadian Imperial Bank Of Commerce
6	Scotiabank	Scotiabank Group
7	Loblaws	Loblaw Cos Ltd
8	BMO	BMO Financial Group
9	Alcan	Alcan Inc
10	CN	Canadian National Railway Company
11	Magna	Magna International
12	ESSO	Imperial Oil Ltd
13	Telus	Telus Corporation
14	Thomson	Thomson Corporation
15	Bombardier	Bombardier Inc
16	Sun Life Financial	Sun Life Financial Inc
17	Canadian Tire	Canadian Tire Corporation Ltd.
18	BlackBerry	Research In Motion
19	Rogers	Rogers Communications Inc.
20	Petro-Canada	Petro-Canada
21	Canadian Pacific	Canadian Pacific Railway
22	Great-West Life	Great-West Lifeco Inc
23	Sunoco	Suncor Energy
24	Canada Life	Great-West Lifeco Inc
25	Sears	Sears Canada Inc
26	Air Canada	Ace Aviation Holdings Inc
27	Molson	Molson-Coors Brewing Company
28	Shoppers Drug Mart	Shoppers Drug Mart Inc
29	Tim Hortons	Tim Hortons Inc
30	Nortel	Nortel Networks

Source: Brand Finance, Socratic Technologies, Bloomberg data

Market value data as at December 2006. Market Value is defined as the market value of the equity for banks and insurers, and as the market value of equity plus long-term debt for non-financial companies.

Key assumptions include:

- A common gearing of 40% for all companies
- A tax rate of 36.1% (verify with Brand Finance)

Sector	Enterprise Value (CAD\$M)*	Brand Value (CAD\$M)*	Brand Value Prior Year (CAD\$M)*	Brand Value/ Enterprise Value (%)*	Brand Rating
Banks	139,574	5,054	4,527	4%	A+
Banks	93,247	3,392	2,761	4%	BBB+
Insurance	59,463	3,194	1,436	5%	A+
Telecommunications	41,482	2,977	3,130	7%	BBB+
Banks	70,388	2,965	2,805	4%	BBB+
Banks	79,691	2,957	2,210	4%	BBB+
Retail-Food	17,280	2,543	3,332	15%	BBB
Banks	67,405	2,514	1,795	4%	BBB+
Mining	27,792	2,215	n/a	8%	BBB+
Transportation	31,081	2,092	n/a	7%	BBB+
Auto Parts&Equipment	9,008	1,937	n/a	22%	BB+
Oil&Gas	40,191	1,893	1,700	5%	A
Telecommunications	22,689	1,838	1,385	8%	BBB
Media	35,708	1,784	n/a	5%	BBB-
Miscellaneous Manufacturing	7,702	1,784	1,228	23%	A
Insurance	28,248	1,696	1,300	6%	BB+
Retail-Discount	6,311	1,680	1,668	27%	BBB
Computers	14,376	1,626	n/a	11%	A
Telecommunications	29,627	1,590	1,005	5%	BBB
Oil&Gas	26,152	1,488	1,354	6%	BBB+
Transportation	12,428	1,387	n/a	11%	BBB-
Insurance	35,209	1,376	1,051	4%	BBB
Oil&Gas	44,089	1,338	n/a	3%	BBB
Insurance	35,209	1,283	n/a	4%	BBB
Retail-Major Dept Store	2,675	1,281	1,253	48%	BB+
Airlines	3,989	1,278	n/a	32%	BBB
Beverages	9,963	1,193	1,001	12%	A+
Retail-Drug Store	11,256	1,174	918	10%	BBB+
Retail-Restaurants	6,672	1,164	n/a	17%	A
Telecommunications	15,614	1,122	n/a	7%	BB+

Rank	Brand	Company Name
31	Yellow Pages	Yellow Pages Group
32	London Life	Great-West Lifeco
33	Shell Canada	Shell Canada
34	National Bank	National Bank of Canada
35	CanWest	CanWest Global Communications Corporation
36	Quebecor World	Quebecor Inc
37	SNC-Lavalin	SNC-Lavalin Group
38	Sobeys	Sobeys Inc
39	Mac's/Couche-Tard	Alimentation Couche-Tard
40	Rona	Rona Inc
41	EnCana	EnCana Corporation
42	Shaw Communications	Shaw Communications Inc
43	Enbridge	Enbridge Inc
44	Barrick	Barrick Gold Corp
45	Husky	Husky Energy Inc
46	ING	ING Canada Inc
47	Maple Leaf	Maple Leaf Foods
48	Jean Coutu	Jean Coutu Group
49	Aeroplan	Ace Aviation Holdings Inc
50	WestJet	WestJet Airlines

	Brand	Company Name
Best of the rest	Celestica	Celestica Inc
	Cognos	Cognos Inc
	Brookfield Properties	Brookfield Properties
	CI Financial	CI Financial Inc
	IGM Financial	Power Financial Corporation
	Four Seasons	Four Seasons Hotels And Resorts

Brand Ratings

AAA	Extremely Strong
AA	Very Strong
A	Strong
BBB	Average
BB	Under-performing
B	Weak
CCC	Very Weak
CC	Extremely Weak
C	Failing

Sector	Enterprise Value (CAD\$M)*	Brand Value (CAD\$M)*	Brand Value Prior Year (CAD\$M)*	Brand Value/ Enterprise Value (%)*	Brand Rating
Media	9,395	1,051	n/a	11%	A+
Insurance	35,209	1,042	n/a	3%	BBB+
Oil & Gas	37,360	1,021	917	3%	BBB+
Banks	26,577	886	776	3%	BBB-
Media	4,535	871	n/a	19%	BB+
Commercial Services	10,901	867	n/a	8%	BBB-
Engineering&Construction	5,647	866	n/a	15%	BBB+
Food	2,762	856	867	31%	BB+
Retail-Convenience Store	5,453	811	n/a	15%	BBB
Retail-Building Products	2,884	807	n/a	28%	BB+
Oil Comp-Explor&Prodtn	49,237	762	n/a	2%	BBB-
Media	10,149	700	n/a	7%	BB+
Pipelines	24,948	692	n/a	3%	BBB-
Mining	32,222	664	n/a	2%	BBB-
Oil&Gas	34,279	604	n/a	2%	BB+
Insurance	6,884	564	n/a	8%	BBB-
Food	2,873	521	n/a	18%	BB+
Retail-Drug Store	5,651	414	n/a	7%	BBB+
Advertising	1,688	319	n/a	19%	A
Airlines	3,005	311	n/a	10%	A
Sector	Enterprise Value (CAD\$M)*	Brand Value (CAD\$M)*	Brand Value Prior Year (CAD\$M)*	Brand Value/ Enterprise Value (%)*	Brand Rating
Electronics	2,007	409	n/a	20%	BBB
Software	3,293	372	n/a	11%	BBB+
Real Estate	27,641	280	n/a	1%	BBB+
Diversified Finan Serv	9,156	199	n/a	2%	BB
Insurance	36,407	116	n/a	0%	BBB-
Lodging	3,491	112	n/a	3%	A

The Rankings by Sector

	Brand	Company Name	Enterprise Value (CAD\$M)*	Brand Value (CAD\$M)*	Brand Value (%)*
Telecom	Bell	BCE	41,482	2,977	7%
	Telus	Telus Corporation	22,689	1,838	8%
	Rogers	Rogers Communications Inc.	29,627	1,590	5%
	Nortel	Nortel Networks	15,614	1,122	7%
Banking	RBC	Royal Bank Of Canada	139,574	5,054	4%
	TD	Toronto-Dominion Bank	93,247	3,392	4%
	CIBC	Canadian Imperial Bank of Commerce	70,388	2,965	4%
	Scotiabank	Scotiabank Group	79,691	2,957	4%
	National Bank	National Bank Of Canada	26,577	886	3%
Insurance	Manulife	Manulife Financial	59,463	3,194	5%
	Sun Life	Sun Life Financial Inc.	28,248	1,696	6%
	Great-West Life	Great-West Lifeco Inc.	35,209	1,376	4%
	Canada Life	Great-West Lifeco Inc.	35,209	1,283	4%
	London Life	Great-West Lifeco Inc.	35,209	1,042	3%
	ING	ING Canada Inc	6,884	564	8%
Retail	Loblaws	Lawlows Cos Ltd.	17,280	2,543	15%
	Canadian Tire	Canadian Tire Corporation Ltd.	6,311	1,680	27%
	Sears	Sears Canada Inc	2,675	1,281	48%
	Shoppers	Shoppers Drug Mart Inc	11,256	1,174	10%
	Mac's/Couche-Tard	Alimentation Couche-Tard	5,453	811	15%
	Rona	Rona Inc	2,884	807	28%
	Jean Coutu	Jean Coutu Group	5,651	414	7%

Brand	Company Name	Enterprise Value (CAD\$M)*	Brand Value (CAD\$M)*	Brand Value (%)*	
Alcan	Alcan Inc	27,792	2,215	8%	B2B
CN	Canadian National Railway Company	31,081	2,092	7%	
Magna	Magna International	9,008	1,937	22%	
Thomson	Thomson Corporation	35,708	1,784	5%	
Bombardier	Bombardier Inc	7,702	1,784	23%	
BlackBerry	Research In Motion	14,376	1,626	11%	
CP	Canadian Pacific Railway	12,428	1,387	11%	
Nortel	Nortel Networks	15,614	1,122	7%	
Yellow Pages	Yellow Pages Group	9,395	1,051	11%	
CanWest	CanWest Global Communications Corp.	4,535	871	19%	
Quebecor World	Quebecor Inc	10,901	867	8%	
EnCana	EnCana Corporation	49,237	762	2%	
Enbridge	Enbridge Inc	24,948	692	3%	
Barrick	Barrick Gold Corp	32,222	664	2%	
Aeroplan	Ace Aviation Holdings Inc	1,688	319	19%	

Commentary

The continuing success of Canada's 'schedule A' banks is reflected in our rankings. Once again RBC topped the list, seemingly invulnerable in this position having occupied it since we started publishing these rankings in 2004. Accolades should go to TD for the move to second place in a consistent long term brand building effort led by Ed Clark after the acquisition of Canada Trust.

A NEW WAVE: MANULIFE

In what is perhaps a taste of things to come, insurer Manulife leapt from 15th to 3rd place. Under the leadership of Manulife's CEO, Dominic D'Alessandro, Manulife has expanded through a series of careful acquisitions and international moves that in the immediate term have outpaced the other major insurers. D'Alessandro (like his namesake at recently acquired John Hancock) has demonstrated canny championing of the brand throughout the culture and systems of his organization. Manulife's brand value has more than doubled since our last rankings (2006).

However, one should not discount Power Corp's Great-West LifeCo multibrand strategy. In aggregate, it remains a much bigger player with three strong brands (Great-West Life, London Life and Canada Life) playing to niche markets.

Finally, it is important to note that both RBC and Manulife appear in the Brand Finance Global 250 Rankings, two of only three Canadian brands to appear in the study. Below the financial institutions, the rankings shift dramatically thanks to the inclusion of new categories of businesses including B2B. In most cases, this should not be taken as bad news for the incumbents who may appear to be fallen angels. However, there are a few moves that should be noted.

UPSETTING THE APPLE CART: LOBLAWS

Loblaws (#2 to #7) has enjoyed a long run as the unquestioned leader in food retailing. However, the tide may be turning. Loblaws' metrics seem to be going south with stock prices at the lowest level in six years. We think Loblaws has lost sight of its strategic advantage as the brand-focused innovator in the face of disruptive competition such as Wal-Mart. This leaves the door open on the company's traditional core markets for increasingly skilled competition from Sobeys and Metro. Sobeys landed lower in our rankings for this year due to big capital investments and slight declines in sales in some areas that reduced overall profit. However, we don't expect things to stay this way - Sobeys should rebound in the future.

Another notable drop: Sears struggled with its privatization move landing with a prickly group of minority shareholders and tough cost cutting measures that have yet to benefit the consumer.

BRAND NEW FACES

We are pleased to see new brands coming up the lists. BlackBerry is an exciting new entry on our table with a strong customer loyalty proposition and an excellent record of innovation. Tim Hortons is on the list thanks to the successful IPO and ranks as one of our favorite picks for excellence in brand management with the brand creating over 17% of the Total Enterprise Value. Recent acquisitions such as Reuters have made Thomson an interesting company to watch over the next few years. Finally, we would be remiss not to single out our 'Best of the Rest' list with special compliments to great brand-driven enterprises such as Four Seasons and Cognos that have, in no small measure, changed the way the world views Canadian business.

Top Rated Brands

Brand	Company Name	Sector	Brand Rating
Yellow Pages	Yellow Pages Group	Media	A+
Molson	Molson-Coors Brewing Company	Beverage	A+
Manulife	Manulife Financial	Insurance	A+
ESSO	Imperial Oil Ltd	Oil & Gas	A
RBC	Royal Bank of Canada	Banks	A
BlackBerry	Research In Motion	Computers	A
Tim Hortons	Tim Hortons Inc	Retail-Restaurants	A
Bombardier	Bombardier Inc	Miscellaneous Manufacturing	A
Aeroplan	Ace Aviation Holdings Inc	Advertising	A
WestJet	WestJet Airlines	Airlines	A

BRAND RATINGS

The Brand Rating represents a summary opinion on a brand based on its strength as measured by the Brand Strength Index. This competitive benchmarking tool provides an understanding of the strength of each brand and is used to determine appropriate royalty and discount rates in

the brand valuation process using our proprietary BrandBeta® methodology.

The Brand Rating delivers insight into the underlying strength of each brand and illustrates how valuations require a robust analysis of each brand's performance in order to determine its value.

Highest Brand Value as a % of Enterprise Value

Brand	Company Name	Sector	Brand Value/ Enterprise Value (%)*
Sears Canada	Sears Canada Inc.	Retail-Major Dept Store	48%
Air Canada	Ace Aviation Holdings Inc.	Airlines	32%
Sobeys	Sobeys Inc.	Food	31%
Rona	Rona Inc.	Retail-Building Products	28%
Canadian Tire	Canadian Tire Corporation Ltd.	Retail-Discount	27%
Bombardier	Bombardier Inc.	Miscellaneous Manufacturer	23%
Magna	Magna International	Auto Parts & Equipment	22%
CanWest	CanWest Global Communication Corporation	Media	19%
Aeroplan	Ace Aviation Holdings Inc.	Advertising	19%
Maple Leaf	Maple Leaf Foods	Food	18%

Commercial Purposes

served by Brand Valuation

The mere act of valuing an asset – whether financial, tangible or intangible – does nothing to improve its value. So why do companies undertake brand valuations? There are three basic reasons why one may be needed:

- It is required for accounting, tax or legal reasons.
- It will inform the terms of a prospective transaction (Brand Due Diligence).
- It will enhance management of the brand and branded business.

ACCOUNTING PURPOSES

On March 31, 2004, the significant differences that previously had separated international and US rules on accounting for business acquisitions disappeared. Both US and international rules (Financial Accounting Standard 141 in the US and International Financial Reporting Standard 3 elsewhere) require that all identifiable intangible assets of an acquired business be recorded at fair value in the consolidated balance sheet of the acquiring company. This has ended the previous practice of treating the excess of the purchase price over the net tangible assets acquired as a single goodwill figure. Now there is a requirement that this single goodwill figure be broken down into a number of specific intangible assets, leaving only a small residual amount of unidentified goodwill. The types of intangible assets that are now to be expressly recognised include marketing-related assets, such as brands.

TAX PURPOSES

Brand-based tax planning is an increasingly common practice. Companies transfer the ownership of their brands and other intellectual property assets to a central IP holding company (IPCo). If companies are active in multiple territories, locating and managing the IPCo from one central location, potentially in a low tax jurisdiction, often makes for a compelling commercial case. It is important that genuine

commercial drivers for the establishment of the IPCo can be demonstrated. Commercial benefits identified from central management of brands frequently include:

- Better governance and control.
- Better and more consistent brand management.
- Licensing of brands into non-core areas, generating new revenues.
- Creation of a profit centre leading to improved visibility of economic returns generated by brands.
- Increased visibility within the overall business organisation.

LEGAL PURPOSES

Brand valuation can also be useful to lawyers in IP-related cases. In certain cases, for example, there is a need for the brand valuer to conduct forensic accounting to uncover all the relevant financial data for a thorough appraisal of the brand in question. There may be a need to understand the scale and quality and strength of brand equity from market research studies. It is often helpful to understand the level of royalty rates that should be applied to particular brands.

These pieces of analysis may be used in any one of three situations familiar to lawyers:

- Account of profits (where one party has intentionally or inadvertently infringed brand rights and needs to account to the brand owner for the unauthorised usage. This may involve an actual account of net profits or more simply an account of inferred royalties for the usage).
- Loss of profits (where the brand owner seeks to quantify the loss of profits to its own business resulting from infringement of brand rights or illegal damage done to the brand by a third party).
- Loss of value (where capital values may have been lost or damaged as the result of actions taken by a third party).

TRANSACTION PURPOSES

External transactions involving brands usually take the form of acquisitions of branded companies or of licensing of brands from third parties. In each case, commercial due diligence and brand valuation are required to verify the economic value of the asset being acquired or licensed and to inform the discussion over the deal terms. In the case of acquisitions, the knowledge that accounting rules now require allocation of the purchase price between the different types of assets acquired has heightened the significance of the pre-acquisition brand valuation process. We call this process Brand Due Diligence (BDD). In addition to informing future purchase price allocation, it also provides a detailed opinion on the security of brand-related future cash flows and forecast profitability in a way that is not addressed by other conventional due diligences. BDD is often undertaken in conjunction with legal or financial investigations, particularly where the brand or marketing function is central to business performance.

ENHANCED MANAGEMENT OF THE BRAND

The third reason for a brand valuation is the significant opportunity it offers for value enhancement. We call this value-based marketing. In value-based marketing, the purpose of the valuation is to improve marketing's effectiveness. Its goal is to measure the extent to which brands enhance underlying business performance and how they can enhance the value of the company. Such commercial brand valuations are also frequently used to explain and justify marketing budgets and to express the outcomes of different marketing strategies in financial terms. These evaluations are often based on a dynamic financial model of the business and their key output is assessing the impact of alternative strategies on branded business value, and hence on shareholder value.

These valuations can be used in many situations, including the following:

- Brand architecture – helping companies better manage and leverage value from existing brands within their portfolio and define how the corporate brand and subbrands relate to and support each other.
- Portfolio management – evaluating the optimal mix within a brand or product, market or segment portfolio for maximum value creation.
- Budget allocation – by identifying the markets, customers and channels that generate the most value, brand valuation analysis can assist with budget optimisation and resource allocation to help management teams evaluate marketing ROI.
- Brand transition – brand valuation analysis can help articulate and track the potential value created following a change of brand identity.
- Brand scorecards – helping to measure performance of the marketing function against the key performance indicators, both short and long-term, to help management identify key metrics and targets in the form of a dashboard type reporting tool.

The critical issue to remember is that the main benefit of brand valuation is not simply the single figure that is produced at the end of the calculations. Instead, it is the necessary valuation analysis that helps companies deconstruct what is really driving business value, illustrating the connection between the marketing function and financial performance.

Iconic Brands

Brand	Sector	Brand Value (CAD\$M)	Brand Rating
Cirque du Soleil	Entertainment Circus	880	AA-
Ski-Doo	Retail-Snowmobiles	293	BBB+
CBC	Media	283	A+
Roots	Retail-Clothing	134	A
Toronto Maple Leafs	Hockey Team	95	A
Montreal Canadiens	Hockey Team	87	A+
Calgary Stampede	Entertainment Venue	52	A
IMAX	Entertainment	50	BBB-
CN Tower	Property - Tower	23	BBB-
Terry Fox	Charity Organisation	15	BBB+

Beyond corporate brand rankings, our world is filled with day-to-day brands of all stripes that in many ways chronicle the evolution of our society. Brands are all-pervasive and can act as tags or identifiers for things we view as important. Our independent panel offers the noted picks for 2007 gleaned with great difficulty from a long list of Canadian brand icons.

These brands were not evaluated the traditional sense – the starting point for the list was not market capitalization, but rather brands that are part of the history, heritage and culture of Canada: Brands that have shaped Canada's current landscape. These are not necessarily the most valuable iconic brands but were the special favorites of our panel.

About Us

ABOUT BRAND FINANCE



Brand Finance is the leading independent intangible asset valuation and brand strategy firm, helping companies to manage their brands more intelligently for improved business results. Since 1996, Brand Finance has performed hundreds of brand valuations with an aggregate value of over \$150 billion. The valuations have been in support of a variety of business needs including:

- Technical valuations for accounting, tax and legal purposes.
- Valuations in support of commercial transactions (acquisitions, divestitures, licensing and joint ventures) involving different forms of intellectual property.
- Valuations as part of a wider mandate to deliver value-based marketing strategy and tracking, thereby bridging the gap between marketing and finance.

Brand Finance is headquartered in London and has representative offices in Toronto, New York, São Paulo, Madrid, Amsterdam, Paris, Geneva, Zagreb, Istanbul, Moscow, Dubai, Bangalore, Colombo, Singapore, Hong Kong and Sydney.
www.brandfinance.com

ABOUT LEVEL5



LEVEL5 is a premier group of seasoned brand advisors to national and international enterprises. The firm, based in Toronto, is the only brand advisory uniquely positioned to evaluate and leverage a brand's intangible and tangible assets. LEVEL5 has a strategic partnership with Brand Finance and is a partner in Brand Finance Canada

Having “walked a mile in your shoes”, LEVEL5's senior practitioners bring years of experience managing some of Canada's most successful brands. These experiences have cemented LEVEL5's belief that brands have never been more important in driving business growth than they are today.

Through its Smart Brave Action business philosophy, the firm provides strategic direction, tools and programs to increase the brand value for such market leaders as Petro-Canada, Aeroplan, Deely Harley-Davidson, Second Cup, Bell, Biogen and National Bank Financial.

www.level5.ca

ABOUT SOCRATIC TECHNOLOGIES, INC.

Socratic Technologies, Inc. is a leader in the science of computer-based and interactive research methods since 1994. Headquartered in San Francisco, it is a research-based consultancy that builds proprietary, interactive tools that accelerate and improve research methods for the study of global markets. Socratic Technologies specializes in product research for the business-to-business and consumer products sectors.

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CANADA'S MOST VALUABLE BRANDS 2007

