

The Brand Finance[®]

Top 100 Malaysia

Brands Report – 2012

On Malaysia's Intangible Assets and Brands

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Foreword



When the Brand Finance® Annual Report 2012 on 'Top 500 Global Brands' was published in March 2012, the businesses were still feeling the effects of the turbulent economic climate. Nevertheless despite this, the brand value of the Global 500 have seen an overall growth in value of 3.3% to US\$3,415 billion suggesting that the recovery is slowly underway.

At a regional level, the on-going European sovereign debt crisis continued to affect brand values in Europe which saw a decline in brand value by -7% to US\$1,080 billion. This was mirrored in our 'Top 500 Financial Brands' ranking where we saw 16 European banks appear in the top 20 'fallers'.

Overall 2012 has been the year of technology brands globally with an impressive increase of 81% in brand value. Apple has been ranked as the World's Most Valuable Brand for the first time and achieved the highest ever valuation calculated by Brand Finance® of US\$70.6 billion.

The Asian economy seemed to be more self reliant and somewhat insulated from the happenings in the west and has overall managed the global volatility better. Most Asian economies still have some fiscal space to stimulate growth, in the event of a more severe deterioration in the external environment.

During 2011, with increased availability of credit facilities and reasonably cheaper valuations still available, initial public offerings (IPO) and mergers and acquisitions (M&A) activities have continued to pick up.

According to Ernst & Young (E&Y) Global IPO report 2012, Asia has been a key driver of the IPO resurgence as the global economy emerged from recession. In 2011, the trend of Asian exchanges leading the world in bringing new companies to market continued in 2012.

We also saw a higher proportion of private enterprises wanting to go public. Nevertheless, the Asian markets could not avoid the uncertainty and volatility that hurt IPO markets elsewhere. Its exchanges completed 610 deals in 2011 raising US\$87.5 billion, a 50% drop by capital raised compared to 2010. Asia however is likely to remain a key driver of IPO resurgence in 2012 as the global economy continues to improve.

According to PricewaterhouseCoopers (PwC), corporates globally are seeing their valuations rebound, and therefore are re-evaluating their portfolio of business and executing on strategic realignment so that they are top 1 or 2 in their chosen businesses. They have begun to exit businesses which they are not leading the competition and are focused on completing add-ons for those that are.

PwC last updated Asia Pacific M&A Bulletin reported that while the US and Europe struggle to cope with a slow and jobless recovery, the developing economies have powered ahead with high single and even double-digit growth. It is therefore no surprise that M&A activities have shifted in favour of the developing economies.

Malaysia is a rapidly developing economy in Asia. Malaysia, a middle-income country, has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy. The Government of Malaysia is continuing efforts to boost domestic demand to wean the economy off of its dependence on exports. Nevertheless, exports — particularly of electronics — remain a significant driver of the economy.

Malaysia's GDP growth will remain modest against the subdued global backdrop. Economic activity in Malaysia is likely to remain restrained in 2012. Growth is likely to remain between 5-6% this year, following the close to 5% growth in 2011.

As Malaysia thrusts ahead to become a more sophisticated knowledge economy, companies that invest in intangible assets and right talent to manage them well will stand to gain.

For over a decade, Brand Finance® has been dedicated to the measurement of brand strength and value. With an independent and global network, our analysis is both objective and well-informed. We hope to deepen management's understanding of brands from a resource perspective that is tied to performance. This has implications for resource allocation, performance tracking and measurement as well as accountability.

This year, we have once again taken the opportunity to highlight the new ISO standard in brand valuation which was formally announced in October 2010 as the world's first consistent and reliable standard in brand valuation. It represents global best practices in brand valuation and marks a huge step forward in this vital area of management concern.

This report serves to provide an opinion on the point-in-time valuation of Malaysia's Top 100 brands, illustrate how our methodology, findings and value-based marketing techniques can be used for decision making, and determine the impact of brand equity on business performance.


David Haigh
Chief Executive, Brand Finance® plc

Foreword



Brands have long been recognised inside the marketing profession as important intangible assets. Brands can confer considerable advantages, such as building customer loyalty and enabling a price premium for the branded product.

As such, the valuation of brands is an important function, to provide tangible, financial evidence of their status as assets and an indication of the value generated through the investment in brand equity.

Brands and brand equity affect all stakeholder groups, influencing the perceptions they have of the branded business, their preference or loyalty to that organisation and their behaviour. Consumers and customers buy more, for longer, at higher prices, while suppliers offer better terms of business and finance providers invest at lower cost. These and other stakeholder behaviour affect business value drivers to give higher revenues, lower costs and greater capital value.

Brand managers need to understand how these brand equity attributes impact on the branded business and need to develop marketing strategies to optimise brand switching behaviour.

We use quantitative market data, detailed financial information and expert judgement to provide reliable Brand Ratings and Brand Values. Such an analysis needs to be conducted by product, geographic and demographic segment to maximise brand value. While such detailed metrics and financial analysis are beyond the scope of the current point in time brand valuations included in this year's league table, however, they are the next natural step in understanding and developing brand value.

We have also observed that a number of brand valuation consultancies produce brand value league tables using methods that do not stand up to technical scrutiny or the newly introduced ISO Standards for Brand Valuation. We use methods that are technically advanced, which conform to ISO Standards and are well recognised by our peers, by various technical authorities and by academic institutions.

Brand Finance® has been researching intangible assets with an emphasis on brands to help corporations understand brand strength and value. Against the current economic backdrop, our 2012 study aims to examine the performance of Malaysia's intangible assets and brands.

This annual report pits the best Malaysian brands against one another in the most definitive list of brand values available.

This report provides an opinion regarding the point in time valuations of the most valuable Malaysian brands as at 31st December 2011. The sheer scale of these brand values show how important an asset these brands are to their respective owners. As a result, we firmly believe that brand valuation analysis can offer marketers and financiers critical insight into their marketing activities and should be considered as a key part of the decision making process.

Samir Dixit
Managing Director, Brand Finance® Singapore

Foreword



We live in a world of brands. Whether local or global, brands touch virtually every aspect of our lives — from the food we eat to the clothes we wear, the homes we buy, the cars we drive. As a consumer or an investor, an employer or employee, and even as a government, brands help shape critical decisions and ultimately create economic value. This is why brands are now considered one of most valuable intangible assets within a company.

In today's competitive economy, it is crucial that companies realise that brands and brand equity influence the bottom line of their organisations. Brand managers need to recognise that these factors, though intangible, play a major role in driving the value of their business: they give rise to higher earnings, increased recognition, reduced marketing costs and greater capital gains. Today, more than ever, brand managers need to evaluate their brand performance and, given the challenging times, ensure they do not fall victim to short-term reactions that affect their long-term growth.

This is where brand valuation comes into play. Objective brand valuation that conforms to ISO standards provides tangible verification on the value and performance of intangible assets. It helps corporations assess changes in customer value while understanding their own brand strength.

It is heartening to see that in Malaysia, brand valuation has led to a strong and growing awareness of brand importance. More and more companies, from large corporations to SMEs are paying increasing attention to building their brand and their equity. Through brand valuation, these companies have also been able to gauge how various factors have influenced the success of multinational and international brands, and use that knowledge to develop their own brands.

At Ova, we find that brand valuation gives useful insights that help us develop the brand platforms needed to generate optimum internal and external brand communications and deliver the ultimate goal of enduring economic performance.

As partners of Brand Finance®, we hope that this report will provide all businesses with the information they need to develop their own strategies for brand success.

Sheila Luis Abdullah
Consulting Partner, Ova

Highlights

1. The enterprise value of corporate Malaysia at the end of 2011 was reduced to US\$395 billion, down from US\$470 billion in December 2010 nearly sliding back to the post recovery level reported in December 2009.
2. After being the worst-hit sector in 2008, and having recovered a significant portion of its Enterprise Value (EV) in 2009, at the end of 2011 banking stood out in a strong #1 position with an EV of US\$88 billion.
3. Telecommunications sector had the highest EV to Brand Value (BV) ratio with a combined brand value of over 80% of the EV. This demonstrates the strong brand equity and intangible growth compared to the Malaysia's average BV to EV ratio of 48%.
4. Telecommunications sector also had the second highest disclosed intangibles of US\$6 billion. The highest was banking at US\$9 billion.
5. Overall, 6 of the top 10 segments by EV had above average performance (more than 48%) for the intangibles.
6. 7 of the top 10 companies by EV are all amongst the top 10 companies by BV.
7. The total value of Malaysia's 100 largest brands and brand portfolios in 2012 is US\$29.84 billion, representing a -9% decrease over last year's study.
8. The EV to BV percentage increased from 8% to 10%.
9. Overall, over 48% of Malaysia's listed value is contributed by Intangibles compared to a global average of 49%.
10. Although PETRONAS was ranked at number 8 by EV, it retained the title of being the Most Valuable Malaysian Brand further illustrating the strength of a strong brand and the contribution of intangible value in driving brand and business success.
11. All of the top 10 Malaysian brands remained in the top 10. They all also retained their rankings except Maybank and YTL Corp who swapped places.
12. YTL was the only brand in the top 10 Malaysian brands to have gained a position.
13. This year, there were a total of 33 new entrants in the top 100 brands from outside of the top 100 rankings.
14. There were only 3 brands with AAA- rating, the highest for Malaysian Brands. There was only 1 brand with AA+ rating. 17 brands had AA- rating and 4 brands had AA rating. This shows the large potential for Malaysian brands to improve their brand strength ratings without which they would remain vulnerable to external global competitors.
15. 15 brands climbed more than 50 places to be in the top 100.
16. Another 22 brands climbed 30 to 50 places to be in the top 100. This indicates greater focus on brand building by companies at the lower end and a stronger competitive field going forward.
17. Of the top 20 brands, AirAsia was the highest climber by gaining 6 places.
18. Only 5 of the top 20 brands gained higher rankings. These were YTL, IOI, Celcom, AirAsia and Hotlink.

Introduction

Intangible assets have traditionally tipped the scales over tangible assets to create value for companies and the global economy. Brand Finance® has been tracking the role of intangible assets since 2001 as part of its annual Global Intangible Finance Tracker (GIFT™) study and found that intangible assets play a significant part in enterprise value generation.

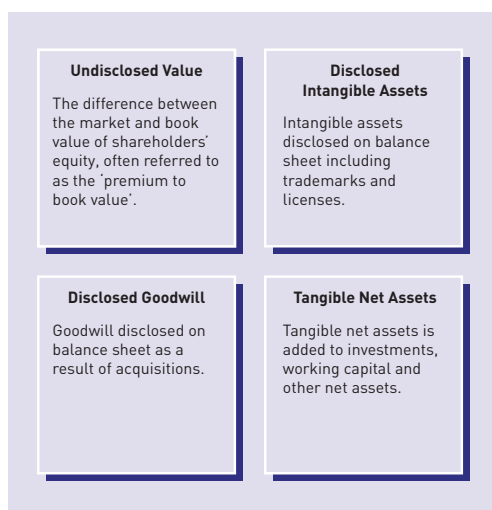
The GIFT™ is a study that tracks the performance of intangible assets on a global level. The GIFT™ is the most extensive study on intangible assets, covering 127 countries, more than 56,000 companies, representing 99% of total global market capitalisation. The analysis goes back over an eleven year period from the end of December 2011.

Currently, 49% of global market value is vested in intangible assets. However, the management paradigm is yet to shift in tandem with large proportion and the importance of intangible assets.

PURPOSE OF STUDY

To this end, Brand Finance® has been researching intangible assets with an emphasis on helping corporations understand brand strength and value. Our study aims to examine the performance of Malaysia's intangible assets and brands.

For the intangible asset study, the total enterprise value of corporate Malaysia is divided into four components shown below.



In last year's GIFT™ 2011 report which represented 99% of total global market capitalisation, intangible assets looked upbeat when the stock markets worldwide showed signs of recovery. They represented over 50% of enterprise value at the end of 2010.

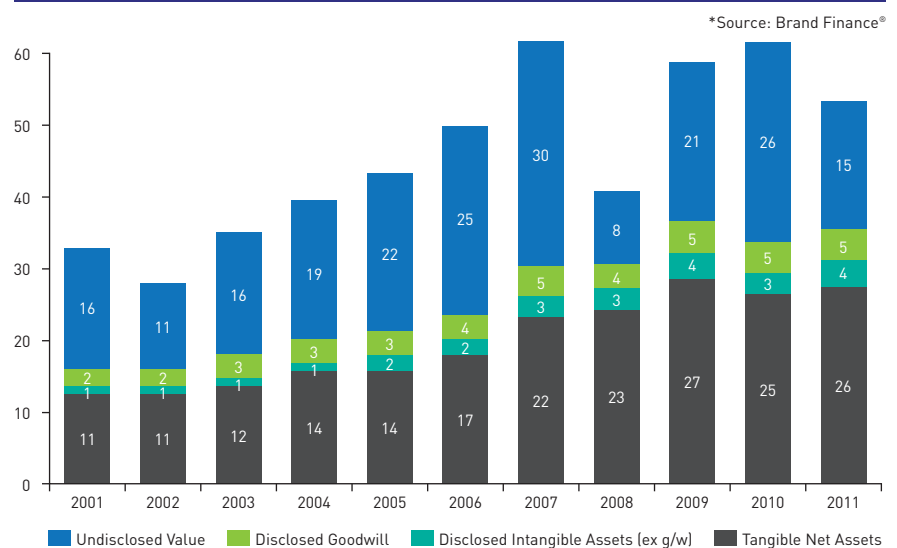
The latest 2012 GIFT™ analysis illustrates that by the end of 2011, the intangibles fell by US\$8.3 trillion during 2011. Though still at a very healthy 49% of the total enterprise value, and significantly above the 2008 financial crisis level, the fall was one of the only two declines in value over the past 10 years. The main culprit was the US\$11 trillion decline in the value of undisclosed intangible assets including brands.

While the big decline in the 'undisclosed' value illustrates the current volatility in the global markets, it equally points out towards the lack of understanding of intangible assets amongst companies, big and small, reflective through their behaviour of overvaluing the intangibles in boom times and under-value in economic downturns.

The fact that most of the intangible value is not disclosed on company balance sheet further illustrates how poorly understood intangibles still are by investors and management alike — and how outdated accounting practice is.

Such ignorance leads to poor decision making by companies and systematic mis-pricing of stock by investors.

Global Breakdown of Enterprise Values from 2001 to 2012



Malaysia's Report Card on Intangible Assets

Malaysia		
ENTERPRISE VALUE	US\$395 billion	100%
TANGIBLE NET ASSETS	US\$204 billion	52%
DISCLOSED INTANGIBLE ASSETS (ex g/w)	US\$33 billion	8%
DISCLOSED GOODWILL (g/w)	US\$9 billion	2%
'UNDISCLOSED VALUE'	US\$148 billion	38%

*Source: Brand Finance®

Malaysia's Intangible Assets fell by US\$60 billion in 2011.

By the end of 2011, intangible asset value decreased by 5% of enterprise value, or US\$60 billion over 2010. While in end 2010, the total intangible value of Malaysian companies stood at a high US\$250 billion, making up 53% of the enterprise value, by end 2011, the value had declined to US\$191 billion. This clearly indicates that Malaysian companies need to put in more efforts to strengthen and drive their intellectual property for stronger growth and expansion.

SPOTLIGHT ON SECTORS

Total Enterprise Value of the Top 10 Sectors in Malaysia is worth US\$320.61 billion.

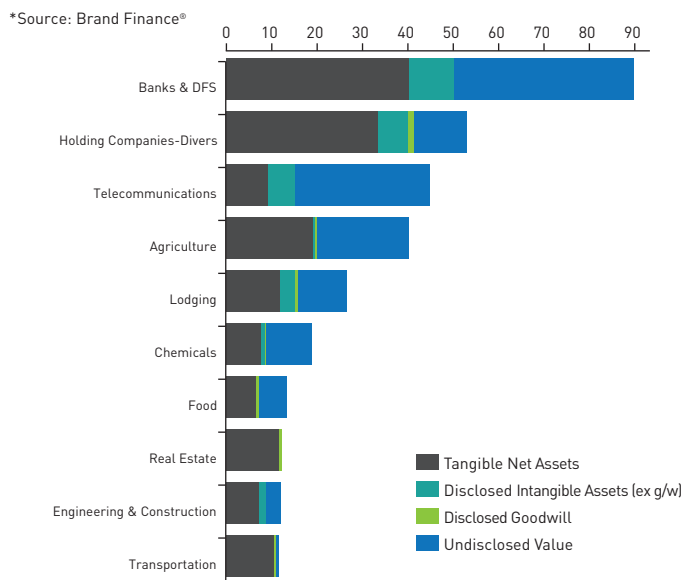
The ten largest sectors for Malaysia are Banks and DFS, Group Companies/Corporates, Telecommunications, Agriculture, Lodging, Chemicals, Food, Real Estate, Engineering & Construction, and Transportation.

These account for 81% of Malaysia's total enterprise value that is worth about US\$395 billion. This is US\$75 billion or 16% less than the 2010 enterprise value of US\$470 billion. It is however US\$75 billion or 23% more than the pre-recessionary enterprise value in 2007. This indicates the strong growth and management of brands in Malaysia.

Banking Sector has the highest Enterprise Value

The banking sector retained their number 1 position for the highest Enterprise Value of US\$88 billion, the Real Estate and Food sectors were overtaken by Agri Products/Commodities and Telecom sector with an Enterprise Value of US\$40 billion and US\$45 billion respectively. Real Estate sector has only the eighth highest Enterprise Value of US\$12.18 billion amongst the top 10.

Top 10 Sectors by Enterprise Value Split (Value) 2012

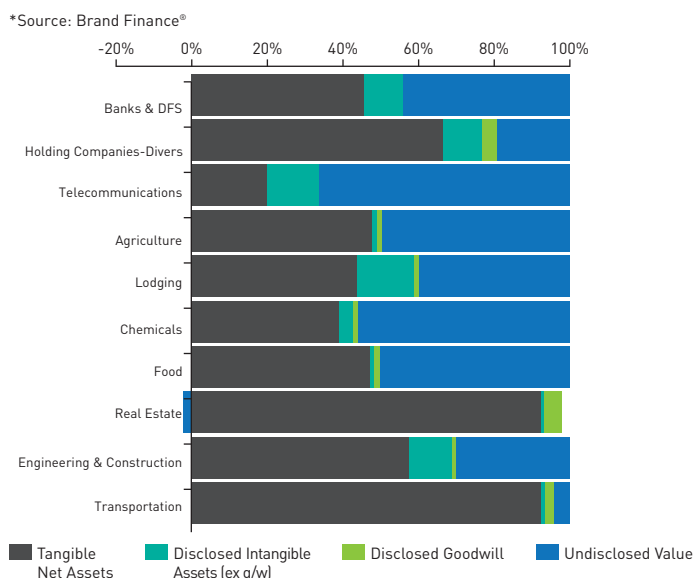


Telecom Sector has the highest Intangible Value to Enterprise Value percentage

The Telecom sector gained the number 1 position for the highest Intangible Value to Enterprise Value percentage of 80% followed by Chemicals at 61% and Banking at 55%. Real Estate had the lowest percentage at a mere 8%.

The overall Intangible value however was the highest for Banking at US\$49 billion followed by Telecom sector at number 2 with a total Intangible Value of US\$36 billion and Agriculture/Commodities sector at number 3 with a total Intangible Value of US\$21 billion.

Top 10 Sectors by Enterprise Value Split (percentage) 2012



Should Malaysia Be Concerned with Intangible Asset Value?

Malaysia to fully converge to Malaysian Financial Reporting Standards (MFRS) in 2012

In a bid to put Malaysia on the same footing as other nations and strengthen its role as an international centre of commerce and give Malaysian companies a higher competitive edge, Malaysia has fully converged to International Financial Reporting Standards (IFRS) called Malaysian Financial Reporting Standards (MFRS) from 1st January 2012. Apart from the names of various standards, the MFRS is identical to the IFRS.

While Malaysia has been promoting MFRS readiness and adoption from 2012 for some years, this move has two exceptions, namely private entities and Transition Entities (TE). The option for TE to defer adoption of the MFRS framework to 2013 is in view of the potential international changes effecting the accounting treatment for agriculture and real estate sales.

Having a standardised accounting standard means that the value of disclosed intangible assets is likely to increase in the future. Strong advocates of 'fair value reporting' believe that all of a company's tangible and intangible assets and liabilities should regularly be measured at fair value and reported on the balance

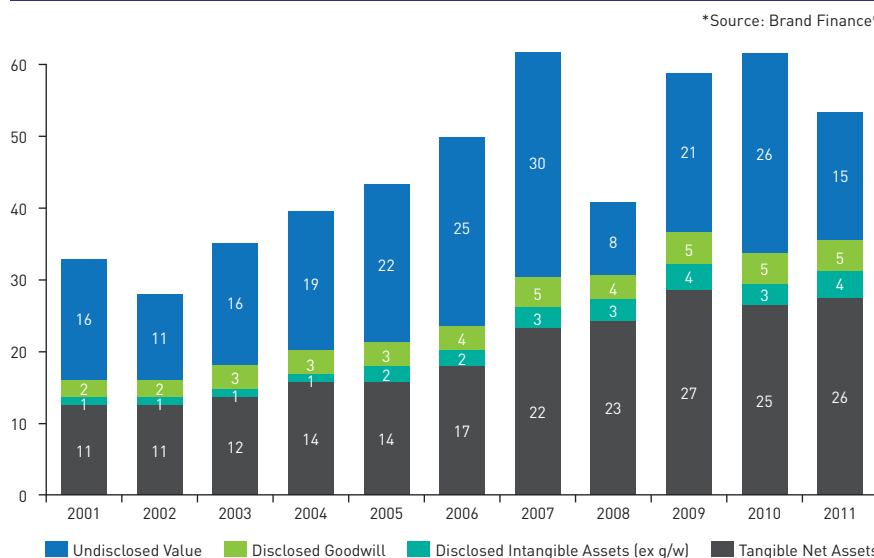
sheet, including internally generated intangibles such as brands and patents. This is provided the valuation methods and corporate governance adopted is sufficiently rigorous. This is likely to be less of a concern going forward due to the ISO standards announced for valuation in October 2010 which is fast becoming a gold standard in valuation.

Some go as far as to suggest that 'internally generated goodwill' should be reported on the balance sheet at fair value, meaning that management would effectively be required to report its own estimate of the value of the business at each year end together with supporting assumptions. However, the current international consensus is that internally generated intangible assets generally should not be recognised on the balance sheet. Under IFRS, certain intangible assets should be recognised, but only if they are in the 'development' (as opposed to 'research') phase. However, there are conditions on, for example, technical feasibility, the intention and ability to complete and use the asset. 'Internally generated goodwill' including internally generated 'brands, mastheads, publishing titles, customer lists and items similar in substance', may not be recognised.

Getting A Grip on Intangibles

Intangible assets make up nearly half the value of quoted companies around the world. Yet intangibles remain poorly understood and managed, as **Bryn Anderson** explains.

FIGURE 1: GLOBAL INTANGIBLE AND TANGIBLE VALUE OVER THE PAST TEN YEARS



Intangible assets, including brands, have never been more important. Survey after survey shows that brands and other intangibles typically account for between 30% and 70% of a company's market value, and in certain sectors, such as luxury goods, this figure can be even higher.

New research from Brand Finance®, the 2012 Brand Finance® Global Intangible Financial Tracker (GIFT™) report¹, shows that in 2011 intangibles across the world accounted for 49% of the value of quoted companies, despite a decline since 2007 as a result of the 2008/2009 financial crisis and associated recession. What's more, 29% of the value of these companies last year was not recorded on their balance sheets.

The balance between tangible to intangible assets has changed dramatically over the past 50 years, as corporate performance has become increasingly driven by the exploitation of ideas, information, expertise and services rather than physical things. Yet despite the rise in intangible value, the fact that most of it is not disclosed on company balance sheets highlights how poorly understood intangibles still are by investors and management alike — and how outdated accounting practice is.

Such ignorance leads to poor decision-making by companies and systematic mis-pricing of stock by investors.

Overall, the 2012 GIFT™ study shows that the value of the top 56,000 companies in the world fell last year by US\$8.3 trillion, down from US\$59.6 trillion at the end of 2010 to US\$51.3 trillion at the end of 2011. The drop in value is larger than the economy of China.

The fall was one of only two declines in value over the past ten years, and the main culprit was the US\$11 trillion decline in the value of undisclosed intangible assets, including brands. The fall far outweighed smaller gains in tangible assets and disclosed intangible assets. Undisclosed value is just half what it was at its pre-crash high in 2007, though nearly double its immediate post-crash low in 2008.

The big fall in the 'undisclosed' value illustrates the current volatility in the global markets. During periods of economic prosperity, the level of undisclosed value is very high, but when confidence falls the undisclosed value is hit harder than the assets on the balance sheet. This tendency to overvalue in boom times and under-value in economic downturns reflects the lack of understanding of intangible assets.

The importance of — and ignorance about — intangible assets was reinforced in a UK Treasury paper published back in 2007, which pointed out that because intangibles are treated as a direct cost rather than an investment, that could distort measures of productivity in a knowledge intensive economy². And given that over one-quarter of the US\$51.3 trillion of enterprise value concerned in the 2011 GIFT™ study is concentrated in the largest 100 companies, and around one-half in the largest 400 companies, that's a lot of productivity that is potentially going unrecognised.

Sector split

In terms of industry sectors, Advertising is the most intangible sector globally, with all of its value being intangible. Similarly, Software, Aerospace and Defence, Internet and Biotechnology Companies had very high intangible value. But among the 15 most valuable industries, the sectors with the highest proportion of intangible assets are Computers (87%), Pharmaceuticals (85%) and Media (85%). Conversely the sectors in the top 15 with the highest proportion of tangible value are Electric (80%), Transportation (76%) and Oil & Gas (76%). This picture has remained consistent in GIFT™ studies for the past ten years, with the percentages changing only marginally.

FIGURE 2: GLOBAL INTANGIBLE AND TANGIBLE VALUE BY SECTOR

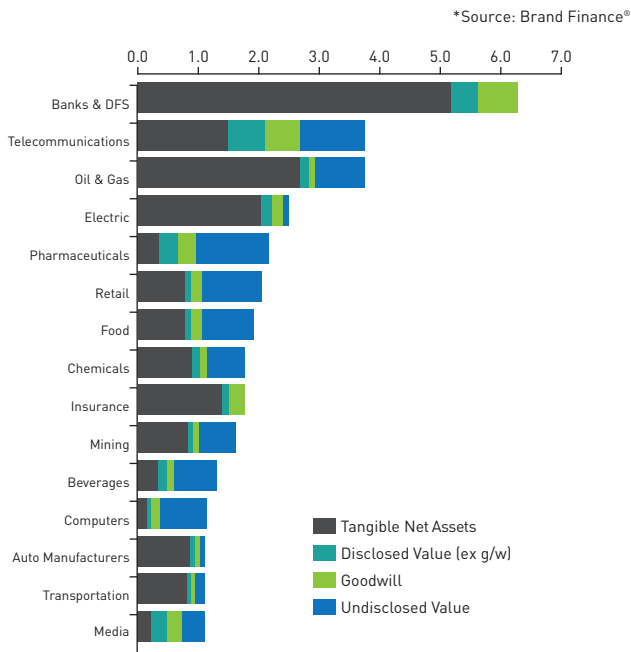
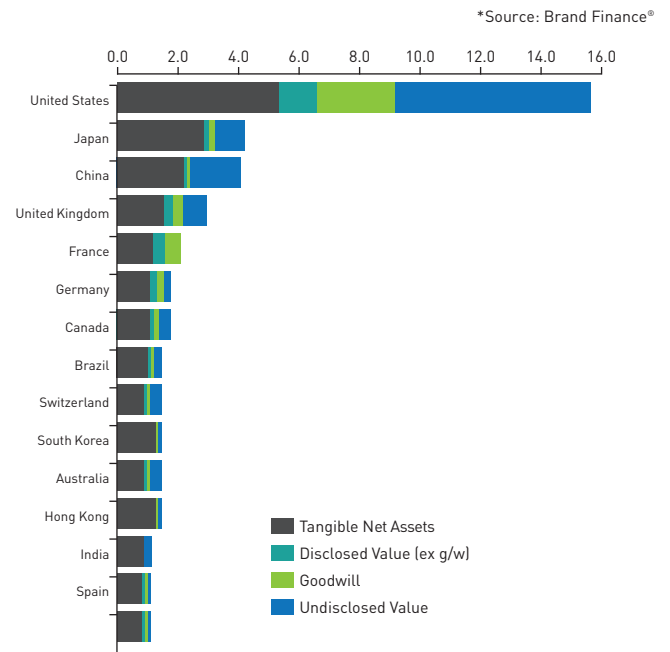


FIGURE 3: INTANGIBLE AND TANGIBLE VALUE BY SECTOR



Around US\$1.6 trillion — 8% — of the US\$20 trillion increase in total enterprise value since 2001 has come from the banking sector, although the figure would have been twice as high had not US\$1.8 trillion been wiped out due to the increased credit risk that is unnerving bank investors. In fact, the value of the banking industry has declined by US\$3.1 trillion since 2006 to its current US\$5.5 trillion level.

Country split

Of the countries covered in the study, Ireland now has the highest proportion of intangible value, at 75%, down from 76% at the end of 2010. The rise is due to many companies in highly intangible industries relocating their head offices to Ireland to take advantage of attractive tax rates. Of the 15 most valuable countries in the world, the US has the highest proportion of intangible value — 65% — though this is down from 71% in 2007 before the 2008 financial crisis hit market confidence.

Switzerland has the second highest proportion of intangible value, at 55% — down from 69% in 2007. This is largely the result of two of the world’s biggest pharmaceuticals companies, Novartis and Roche, being domiciled there.

The three countries with the largest proportion of their value made up of tangible net assets are South Korea (80%), Hong Kong (76%), and Spain (67%). Again, this partly reflects the industry mix in those countries, with an under-representation of the most ‘intangible’ sectors such as software, media and pharmaceuticals.

The five countries with the highest level of disclosed intangible asset value remain, as they have been for the past six years, European: Italy (19%), Spain (18%), France (17%), Germany (14%) and the UK (13%). This largely reflects the fact that since 2005, IFRS3 has required European companies to separate out in their annual reports different intangible asset classes when they make acquisitions (see Figure 3 above).

Categories of intangible assets

There are different definitions of ‘intangible asset’. The term is sometimes used loosely, but in accounting rules it is precisely defined. In the most basic terms, it is, as its name suggests, an asset that is not physical in nature. The examples below, grouped into three categories — rights, relationships and intellectual property — would typically fall within the definition.

(1) Rights. Leases, distribution agreements, employment contracts, covenants, financing arrangements, supply contracts, licences, certifications, franchises.

(2) Relationships. Trained and assembled workforce, customer and distribution relationships.

(3) Intellectual property. Patents; copyrights; trademarks; proprietary technology (for example, formulas, recipes, specifications, formulations, training programmes, marketing strategies, artistic techniques, customer lists, demographic studies, product test results); business knowledge — such as suppliers’ lead times, cost and pricing data, trade secrets and know-how.

But a fourth category, ‘undisclosed intangible assets’, is usually more valuable than the disclosed intangibles. The category includes ‘internally generated goodwill’, and it accounts for the difference between the fair market value of a business and the value of its identifiable tangible and intangible assets.

Although not an intangible asset in a strict sense — that is, a controlled ‘resource’ expected to provide future

FIGURE 4: CATEGORIES OF INTANGIBLE ASSETS UNDER IFRS 2

Marketing-related intangible assets	Customer-related intangible assets	Contract-based intangible assets	Technology-based intangible assets	Artistic-related intangible assets
Trademarks, tradenames	Customer lists	Licensing, royalty, standstill agreements	Patented technology	Plays, operas and ballets
Service marks, collective marks, certification marks	Order or production backlog	Advertising, construction management, service or supply contracts	Computer software and mask works	Books, magazines, newspapers and other literary works
Trade dress (unique colour, shape, or package design)	Customer contracts and related customer relationships	Lease agreements	Unpatented technology	Musical works such as compositions, song lyrics and advertising jingles
Newspaper mastheads	Non-contractual customer relationships	Construction permits	Databases	Pictures and photographs
Internet domain names		Franchise agreements	Trade secrets, such as secret formulas, processes, recipes	Video and audiovisual material, including films, music, videos etc.
Non-competition agreements		Operating and broadcast rights		
		Use rights such as drilling, water, air, mineral, timber cutting and route authorities		
		Servicing contracts such as mortgage servicing contracts		
		Employment contracts		

*Source: Brand Finance®

economic benefits — this residual value is treated as an intangible asset in a business combination when it is converted into goodwill on the acquiring company's balance sheet. Current accounting practice does not allow for internally generated brands to be disclosed on a balance sheet. Under current IFRS only the value of acquired brands can be recognised, which means many companies can never use the controlled 'resource' of their internally generated brands to their full economic benefit. For example, they can't take out a loan against the asset and potentially bolster their balance sheet.

In accounting terms, an asset is defined as a resource that is controlled by the entity in question and which is expected to provide future economic benefits to it. The International Accounting Standards Board's definition of an intangible asset requires it to be non-monetary, without physical substance and 'identifiable'.

In order to be 'identifiable' it must either be separable (capable of being separated

from the entity and sold, transferred or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves 'separable'). Therefore, intangible assets that may be recognised on a balance sheet under IFRS are only a fraction of what are often considered to be 'intangible assets' in a broader sense.

However, the picture has improved since 2001, when IFRS3 in Europe, and FAS141 in the US, started to require companies to break down the value of the intangibles they acquire as a result of a takeover into five different categories — including customer- and market-related intangibles — rather than lumping them together under the catch-all term 'goodwill' as they had in the past.

But because only acquired intangibles, and not those internally generated, can be recorded on the balance sheet, this results in a lopsided view of a company's value. What's more, the value of those assets can only stay the same or be revised downwards in each subsequent

year, thus failing to reflect the additional value that the new stewardship ought to be creating.

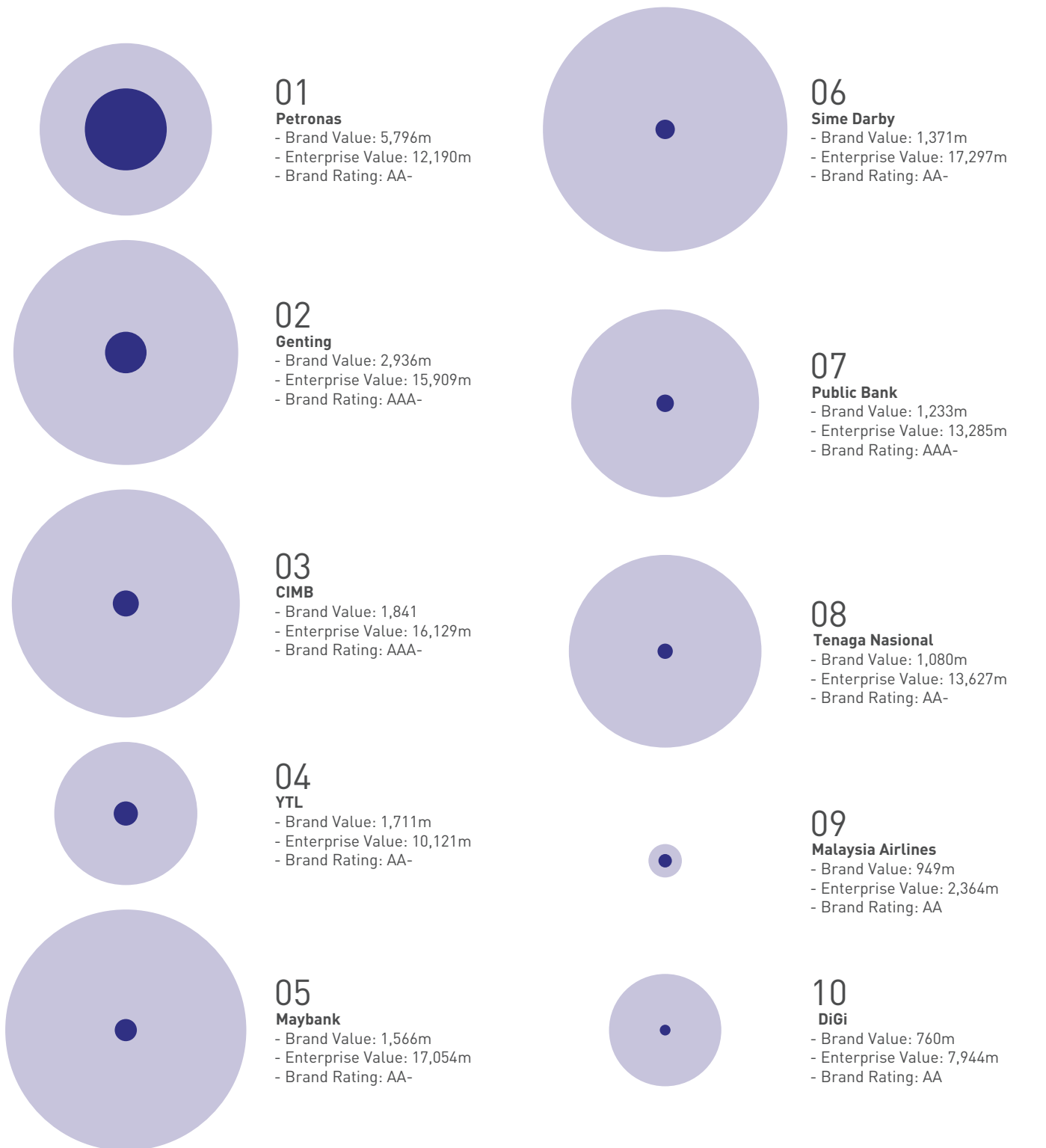
Clearly, therefore, whatever the requirements of accounting standards, companies should regularly measure all their tangible and intangible assets (including internally-generated intangibles such as brands and patents) and liabilities, not just those that have to be reported on the balance sheet. And the higher the proportion of 'undisclosed value' on balance sheets, the more critical that robust valuation becomes.

¹ The Brand Finance® Global Intangible Financial Tracker (GIFT™) report is the most extensive research ever compiled on intangible assets. Over the past ten years, GIFT™ has tracked the performance of more than 56,000 companies quoted in 127 countries.

² For more details please refer to: HM Treasury 'Intangible Investment and Britain's productivity: Treasury Economic Working Paper No. 1', October 2007.

Report Card 2012

Malaysia's Top 10 Most Valuable Brands



● Brand Value
● Enterprise Value

Malaysia's Report Card on the Top 100 Brands

OVERVIEW OF MALAYSIA'S MOST VALUABLE BRANDS & BRAND PORTFOLIOS

The total value of Malaysia's 100 largest brands and brand portfolios is US\$29.84 billion. 64% of the brand value is vested in the Top 10 brands with a combined worth is US\$19.24 billion. The top 50 brands account for over 91% of the combined brand value in 2012. Though the remaining 50 brands now account for 9% of the total brand value of Top 100 brands, this is up by 10% in 2011.

The top 100 Malaysian brands and brand portfolios of US\$29.84 billion represent an increase of 8% over last year's study. In tandem with the slow economic recovery, the brand values of most companies have increased marginally across industries.

Brand Finance® has ranked the brands and brand portfolios of Malaysia listed companies by their absolute dollar value.

MALAYSIA'S BEST RATED BRANDS

The Brand Rating score represents a summary opinion on a brand based on its strength as measured by Brand Finance®'s '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 equity and performance of each brand. It illustrates how valuations require

robust analysis of each brand's performance in order to determine its value. This information is useful for both marketing and finance departments in brand strategy formulation and financial forecasting.

Brand Finance®'s Brand Ratings are conceptually similar to company credit ratings. Three brands top the Brand Rating list this year. They are Genting, CIMB, and Public Bank. All three had brand ratings of AAA- corresponding Brand Strength Scores of 82, 80 and 82 respectively. All the 3 AAA- rated brands are in the top 10.

There was only 1 brand with the second highest AA+ rating namely Parkson (compared to none last year) and 17 brands in the next best AA- rating (compared to 15 last year) of which five brands were in the top 10, and another 4 in the top 20.

Brand Ratings are important because they are a leading indicator of future performance. Some very large and valuable brands may have deteriorating ratings. This ultimately leads to destruction in brand value, and vice versa.


MALAYSIA'S TOP 10

The ten most valuable brands and brand portfolios of Malaysia are worth US\$19.24 billion, 10% higher than 2011. They represent 64% of the total brand value of the Top 100 Malaysian brands. This is exactly the same as in 2011. The brand value average overall is US\$0.29 billion which is up from a 2011 average of US\$0.27 billion, an 8% increase.



Petronas

Petronas Dagangan Berhad

5,796m 
Brand Value (US\$)

12,190m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

Petronas was incorporated on 17th August 1974 as the national oil company of Malaysia, vested with entire ownership and control of the petroleum resources in the country. It grew from being the manager and regulator of Malaysia's upstream sector into a fully integrated oil and gas corporation. Petronas is involved in exploration, production, refining and retailing of oil and gas products. Gaining competence and confidence in its core markets, the company has aggressively expanded and now has a global footprint in more than 30 countries. Its shipping business complements its core businesses, enhancing the company's self-reliance. Its efforts to expand into liquefied natural gas business have also seen success as it is now the world's third largest producer of liquefied natural gas.


PERFORMANCE OF THE BRAND

Petronas' financial period ending 2011 delivered strong operating results and made substantial progress in bringing key objectives of the Corporate Enhancement Programme (CEP), critical for the long-term sustainability of its business, closer to realisation. The accomplishments also reflects the determination as well as commitment of the people, particularly those men and women who proved themselves worthy by embracing change and living up to the spirit of 'Reimagining Energy' – continuously challenging accepted norms, exploring solutions and driving breakthrough execution; exemplifying, in the process, that level of performance Petronas will need to consistently demonstrate across the entire Group in confronting future challenges.



Genting

Genting Berhad

2,936m 
Brand Value (US\$)

15,909m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

Genting Berhad is the investment holding and management company of Genting Group. It was founded in 1965 by the late Tan Sri (Dr.) Lim Goh Tong. Genting Group became involved in palm oil production in 1980 and is now one of the leading and lowest cost palm oil producers in Malaysia. It was listed in 1971 and a restructuring exercise was undertaken in 1989. Genting then became involved in the electricity power generation and supply and the paper manufacturing business in 1994 and exploration and production of oil and gas in 1996. In 2007, the group divested its paper and packaging business to focus on its core business.

PERFORMANCE OF THE BRAND

Genting Berhad reported the year with positive results, mainly contribution from the integrated resorts and oil palm businesses. While most multinational companies consolidated their operations in 2011, Genting continued to reinvest in their properties and expanded their core business. 2011 marked the official opening of Southeast Asia's first Universal Studio Singapore® at Resorts World Sentosa, the official opening of Johor Premium Outlets in Malaysia which is Southeast Asia's first Chelsea's Premium Outlet Centre® and the launch of Resorts World Casino New York City in the United States of America. On corporate level, Genting is well-placed to tap opportunities for expansion and growth. The Group has stable cashflows, one of the strongest balance sheet in the industry and an experienced management team with a proven track record.

03 CIMB GROUP

CIMB

CIMB Group Holdings Berhad

1,841m 
Brand Value (US\$)

16,129m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

CIMB Group is a regional universal bank operating in high growth economies in ASEAN. CIMB Group operates across ASEAN under several corporate entities including CIMB Investment Bank, CIMB Bank, CIMB Islamic, CIMB Niaga, CIMB Securities International and CIMB Thai. The business lines in the core markets of operations include Malaysia, Indonesia, Singapore and Thailand. Present in 18 countries and headquartered in Kuala Lumpur, CIMB covers ASEAN and major global financial centres as well as countries in which customers have significant business and investment dealing. CIMB Group believes in harnessing the scale and diversity of ASEAN. CIMB Group believes in embracing diversity and has always welcomed difference in thought, opinion, culture and language.

PERFORMANCE OF THE BRAND

In recent years, CIMB Group has embarked on a remarkable journey of transformation and expansion. In 2011, CIMB Group grew in size and geography across Asia, with record profits and largest regional footprint to date. Most importantly, CIMB Group passed a confidence threshold. With a new target, the Group vision 2015 is to become The Leading ASEAN Franchise, and changed their tagline to 'ASEAN For You', reflecting the regional credentials. The Group also initiated a major revamp of the organisational structure to better align the business lines, allowing for greater operational synergies, better customer focus, improved cross-selling and faster decision making.

04 YTL

YTL

YTL Corporation Berhad

1,711m 
Brand Value (US\$)

10,121m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

YTL Corporation Berhad is one of the largest companies listed on Bursa Malaysia. It was listed in 1985 and also had a secondary listing on the Tokyo Stock Exchange since 1996. YTL was the first Asian non-Japanese company to be listed on the Tokyo Stock Exchange. The Group core businesses are ownership and management of regulated utilities and other infrastructural assets, serving 12 million customers in three continents. YTL Corporation emerged in the coveted position of being the largest non-government linked company in the 2010 MB100 survey of Malaysia's Largest Listed Companies. YTL Corporation's strategy of offering 'World Class Products and Services at Competitive Prices' extends across the range of its business activities, and is perhaps the single most important factor underpinning its success today in enhancing shareholder value.


PERFORMANCE OF THE BRAND

The Group's improved performance for the financial year ended 2011 were driven primarily by its power generation, water and cement operations and overseas property development projects. Foreign operations continued to constitute the largest part of the Group's earning, underpinning the operational strength and geographical diversity of its income streams. YTL Corporation remains committed to developing and expanding its core competencies, supported by its technical know-how and O&M expertise, to ensure the Group's ongoing growth and development. For the fifth consecutive year, YTL Corporation has also issued its 'Sustainability Report 2011' as a separate report to enable shareholders and stakeholders to better assess the Group's sustainability record.

05

Maybank

Malayan Banking Berhad

1,566m 
Brand Value (US\$)

17,054m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

Maybank Group is the leading financial services provider in Malaysia catering to the needs of consumers, investors, entrepreneurs, non-profit organisations and corporations. The Group, which has expanded internationally, has the largest network among Malaysian banks of over 2,100 branches and offices in 17 countries. The Group focuses on capturing growth opportunities in high growth while taking a proactive and conservative approach to capital management by continuing to establish the presence in high growth markets. By strengthening the core business and franchise, they gain competitive advantage by achieving synergies across the diverse group. The Group's 2015 aspiration is to be the number 1 retail financial services provider in Malaysia. They also aim to be the leading Islamic bank in ASEAN.

PERFORMANCE OF THE BRAND


The restructuring of the operations into three pillars of House of Maybank started to make a game-changing difference to the customer experience. Under Community Financial Services (CFS), the Group's branches were given a fresh new look and they launched their latest flagship branch with a hip and cool one-stop-shop concept. Maybank embedded retail SME services across the branch network, and a tactical plan is now in place to further develop SME business. In the overseas market, they launched Maybank2u in the Philippines and ATMs in Cambodia. The Group also launched the refreshed Maybank Group corporate identity and the roll-out of Maybank Kim Eng across markets following the rebranding exercise proves to be successful.

06

Sime Darby

Sime Darby Berhad

1,371m 
Brand Value (US\$)

17,297m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

Sime Darby was incorporated in 1910 by businessmen William Sime, Henry d'Esterre Darby and Herbert Mitford Darby to manage 500 acres of rubber estates in Malacca, Malaysia. From such humble beginnings, Sime Darby has grown into one of Malaysia's biggest multinational corporations. Today, Sime Darby is a key player in the Malaysian economy as well as a diversified multinational, with businesses in key growth sectors namely, plantations, property, motors, industrial equipment, energy & utilities and healthcare, with operations in more than 20 countries. Sime Darby recognises the importance of balancing economic performance with social responsibility. Committed to developing a sustainable future, Sime Darby strives to maintain an equitable balance between increasing value for shareholders and being responsible to society and the environment.


PERFORMANCE OF THE BRAND


Sime Darby Eastern Investments Private Limited acquired Haynes Mechanical Pty Ltd, AC Haynes Investments Pty Ltd and DG Nominees Pty Ltd. The acquisition gives the industrial division in Australia the additional supply of specialised labour that is required to sustain its growth moving forward in the parts and services segment. Sime Darby Engineering Sdn Bhd entered into MOU with subsidiaries of Petroliam Nasional Berhad and Malaysia Marine and Heavy Engineering Holdings Berhad respectively to dispose of Teluk Ramunia and Pasir Gudang fabrication yards. Completion of this sale officially marks the exit of Sime Darby from the oil and gas business which is no longer in line with the Group's strategic direction.



Public Bank

Public Bank Berhad

1,233m 
Brand Value (US\$)

13,285m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

Public Bank's journey began in 1966 when its Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow established Public Bank and conceived it as a bank for the public. It has since grown into a premier banking group in Malaysia, Cambodia, Vietnam, Laos, Hong Kong, China and Sri Lanka. From providing retail and commercial banking services at its inception, the Group has developed into a full service financial services group providing a wide range of services. Throughout its existence, the Public Bank Group has sought to deliver excellence in providing banking services to its customers, resulting in the strongly visible PB Brand. Today, the PB Brand is synonymous with superior customer service, prudent management, strong corporate governance, strong asset quality and sustainable profitability. The 45 years of unbroken profit track record of the Group reflects these qualities.

PERFORMANCE OF THE BRAND


In the retail lending business, the Public Bank Group continues to seek loan growth from residential mortgages, passenger vehicle financing and lending to SMEs. In an intensely competitive market where loan products are highly commoditised, the Group actively competes in the market for business growth and increased market share by differentiating itself through its highly efficient customer service delivery standards. As at the end of November 2011, Public Bank continued to lead in residential mortgages, passenger vehicle financing and commercial property financing in Malaysia. The Public Bank Group further expanded its multiple delivery channels to better serve its large customer base of individuals and business enterprises.



Tenaga Nasional

Tenaga Nasional Berhad

1,080m 
Brand Value (US\$)

13,627m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

Tenaga Nasional Berhad is the largest electricity utility in Malaysia. Set up as the Central Electricity Board of the Federation of Malaya in 1949, TNB has powered national development efforts for more than 60 years by providing reliable and efficient electricity services. The Group core businesses are in the generation, transmission and distribution of electricity. Over the years, TNB has diversified from its core business into the manufacture of transformers, high voltage switchgears and cables; the provision of professional consultancy services and architectural, civil, electrical engineering works and services, repair and maintenance. The Company also engages in research and development, property development and management services.

PERFORMANCE OF THE BRAND

TNB believes in providing service excellence and aims to attain global leadership. Towards this end, the Company invests significantly in the continuous professional development of its employees through structured programmes. In 2005, the Company embarked on a 20-Year Strategic Plan which entails greater focus on green initiatives such as the development of renewable sources of fuel, and more effective demand side management via energy efficiency. These efforts complement the Government's carbon reduction agenda while also creating a foundation for sustainable energy for the future. As a leading GLC, TNB also places strong emphasis on its social and environmental responsibilities. Yayasan Tenaga Nasional (YTN), established in 1993, funds much of the Company's CSR programmes. TNB also has a tradition of promoting sports and developing sporting talent in the country.



MAS

Malaysia Airline System Berhad

949m 
Brand Value (US\$)

2,364m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

The story of Malaysia Airlines starts in the golden age of travel. A joint initiative of the Ocean Steamship Company of Liverpool, the Straits Steamship of Singapore and Imperial Airways led to a proposal to the Colonial Straits Settlement government to run an air service between Penang and Singapore. The result was the incorporation of Malayan Airways Limited (MAL) on 12th October 1937. MAL took to the skies with its first commercial flight in 1947 and with the formation of Malaysia in 1963, the airline changed its name to Malaysia Airlines Limited. Then in 1965, with the separation of Singapore from Malaysia, MAL became a bi-national airline and was renamed Malaysia-Singapore Airlines (MSA). However, in 1973, the partners went separate ways and was subsequently renamed Malaysian Airline System.

PERFORMANCE OF THE BRAND

Malaysia Airlines is set to join Oneworld by end of 2012, adding one of aviation's most frequent award winners to the world's leading quality airline alliance. When it becomes part of Oneworld, its customer will gain access to the alliance's truly global network. It will expand Oneworld's global coverage to almost 950 destinations in 150 countries, served by a combined fleet of more than 2,600 aircrafts operating some 10,000 flights a day. In August 2011, they introduced a social seating plan that allows passengers to pick seatmates before their flight. The plan lets passengers share their social network profile and photos with other passengers on the same flight.



DiGi

DiGi.Com Berhad

760m 
Brand Value (US\$)

7,944m 
Enterprise Value (US\$)

HISTORY OF THE COMPANY & BRAND

DiGi is a leading mobile communications company providing a comprehensive range of affordable, convenient and easy to use wireless services to simplify and enrich the lives of its customers. The Group create value for the customers by selecting the most appropriate cutting edge technology so that they can benefit from products and services that give them choice, convenience and control. DiGi have an established presence as a leader in voice and data prepaid services with a number of firsts that have set industry benchmarks for creativity and innovation. These services are offered under the DiGi Prepaid brand name. The postpaid service under the DiGi Postpaid brand name delivers high quality voice as well as value-added mobile content and data services to both individual and corporate customers.

PERFORMANCE OF THE BRAND

DiGi is rolling out a brand-new mobile network, with larger capacity, more consistent speeds and the ability to deliver the best internet experience. The Group's Tomorrow Network will be LTE-equipped and ready to serve fibre-like speeds to upcoming LTE mobile devices, bringing the promise of high-speed internet and next generation services to more Malaysians. Since embarking on a company-wide sustainability agenda in 2008, DiGi has continued making steady progress towards reducing our climate impact. DiGi was rated the top company in Malaysia in the Carbon Disclosure Project (CDP) 2011.

Malaysia's Report Card on the Top 100 Brands

Rank 2012	Rank 2011	Brand	Parent Company	Brand Value 2012	Brand Rating 2012	Enterprise Value 2012	Brand Value / Enterprise Value (%)	Brand Value 2011	Brand Rating 2011	Enterprise Value 2011
1	1	PETRONAS	PETRONAS DAGANGAN BHD	5,796	AA-	12,190	48%	5,352	AAA-	35,384
2	2	Genting	GENTING BHD	2,936	AAA-	15,909	18%	3,158	AAA-	17,801
3	3	CIMB	CIMB GROUP HLDGS BHD	1,841	AAA-	16,129	11%	1,564	AAA-	19,254
4	5	YTL	YTL CORP BHD	1,711	AA-	10,121	17%	1,266	AA-	10,276
5	4	Maybank	MALAYAN BANKING BHD	1,566	AA-	17,054	9%	1,403	A+	17,979
6	6	Sime Darby	SIME DARBY BHD	1,371	AA-	17,297	8%	1,242	AA-	17,762
7	7	Public Bank	PUBLIC BANK BHD	1,233	AAA-	13,285	9%	1,217	AAA-	12,997
8	8	Tenaga Nasional	TENAGA NASIONAL BHD	1,080	AA-	13,627	8%	994	A	16,528
9	9	Malaysia Airlines	MALAYSIAN AIRLINE SYSTEM BHD	949	AA	2,364	40%	669	AA	2,886
10	10	DiGi	DIGI.COM BHD	760	AA	7,944	10%	652	A+	6,346
11	11	TM	TELEKOM MALAYSIA BHD	734	AA-	4,557	16%	628	AA	3,932
12	17	IOI	IOI CORP BHD	572	AA	11,295	5%	434	AA-	12,169
13	18	Celcom	AXIATA GROUP BHD	539	AA-	7,387	7%	429	AA-	7,225
14	12	RHB Bank	RHB CAPITAL BHD	511	A+	4,729	11%	584	A+	5,199
15	14	AmBank	AMMB HLDGS BHD	506	AA-	5,403	9%	517	A+	5,726
16	16	Maxis	MAXIS BHD	473	A	6,004	8%	460	AA-	5,975
17	15	Sports Toto	BERJAYA CORP BHD	466	A	1,882	25%	508	A	1,878
18	24	AirAsia	AIRASIA BHD	428	AA-	4,886	9%	306	A	4,147
19	19	Berjaya Corp Bhd	BERJAYA CORP BHD	391	A	3,838	10%	377	A	3,713
20	21	Hotlink	MAXIS BHD	347	A	8,134	4%	348	A	8,095
21	25	Parkson	PARKSON HLDGS BHD	303	AA+	1,854	16%	282	AA-	2,343
22	27	Plus	PLUS EXPRESSWAYS BHD	268	AA-	6,959	4%	251	AA-	9,290
23	38	Setia	SP SETIA BHD	252	A	2,300	11%	130	A+	1,618
24	22	MISC	MISC BHD	249	A+	12,137	2%	319	AA	14,071
25	28	The Star	STAR PUBLICATIONS (MALAYSIA)	209	A+	675	31%	201	A+	735
26	35	Magnum	MULTI-PURPOSE HLDGS BHD	200	A+	1,579	13%	143	A+	1,261
27	29	KLK	KUALA LUMPUR KEPONG BHD	198	AA-	3,280	6%	196	AA-	3,076
28	40	Malaysia Airports Bhd	MALAYSIA AIRPORTS HLDGS BHD	171	AA-	2,367	7%	124	AA-	2,218
29	31	MMC	MMC BHD	167	AA-	8,741	2%	183	A+	9,144
30	44	Bank Islam	BIMB HLDGS BHD	157	A-	897	18%	119	A-	429
31	43	Hap Seng Consolidated	HAP SENG CONSOLIDATED	156	A	1,838	8%	120	A+	1,159
32	45	VADS	TELEKOM MALAYSIA BHD	156	A	900	17%	119	A+	777
33	39	Gamuda	GAMUDA BHD	143	A	2,280	6%	128	AA-	2,461
34	37	Boustead	BOUSTEAD HLDGS BHD	139	A	3,052	5%	134	A	2,469
35	50	Dutch Lady Milk	DUTCH LADY MILK INDS BHD	132	A+	381	35%	105	A-	360
36	36	KPJ Healthcare	KPJ HEALTHCARE BHD	127	A	893	14%	140	A-	730
37	71	PPB Group Bhd	PPB GROUP BHD	126	AA	6,415	2%	63	A	5,620
38	32	Lion Corp	LION CORP BHD	123	A-	1,029	12%	166	A	980
39	49	QL Resources	QL RESOURCES BHD	121	A	933	13%	107	A	750
40	67	Top Glove	TOP GLOVE CORP BHD	111	A	733	15%	67	AA-	983
41	56	Axiata	AXIATA GROUP BHD	108	A+	15,075	1%	91	AA-	14,744
42	33	Affin Bank	AFFIN HLDGS BHD	106	A+	1,344	8%	157	A+	1,561
43	42	UMW	UMW HLDGS BHD	100	A	2,921	3%	120	AA-	2,998
44	46	Proton	PROTON HLDGS BHD	100	AA-	247	40%	117	AA	417
45	41	Alliance Bank	ALLIANCE FINANCIAL GROUP BHD	98	A	1,845	5%	123	A	1,617
46	48	Puncak Niaga	PUNCAK NIAGA HLDGS BHD	97	A	1,557	6%	116	A-	1,561
47	47	OSK	O.S.K. HLDGS BHD	78	A-	521	15%	116	A	417
48	63	Pos Malaysia	POS MALAYSIA BHD	77	A+	307	25%	57	A	500
49	53	Padini	PADINI HLDGS BHD	73	A	179	41%	83	A	176
50	87	Wasco	WAH SEONG CORP BHD	72	A	588	12%	46	A	629
51	52	Kossan	KOSSAN RUBBER INDUSTRIES	69	A	303	23%	94	A-	358
52	57	Tradewinds Plantation Bhd	TRADEWINDS PLANTATION BHD	65	A	841	8%	90	A+	639

Report Card 2012

Rank 2012	Rank 2011	Brand	Parent Company	Brand Value 2012	Brand Rating 2012	Enterprise Value 2012	Brand Value / Enterprise Value (%)	Brand Value 2011	Brand Rating 2011	Enterprise Value 2011
53	92	Kurnia Insurans	KSK GROUP BHD	53	A	236	22%	41	A	200
54	77	The Store	STORE CORP BHD	51	A-	116	44%	58	A	117
55	103	DRB-Hicom	DRB-HICOM BHD	50	A	814	6%	36	A	1,296
56	68	TA Enterprise	TA ENTERPRISE BHD	49	A	307	16%	64	A	355
57	104	Time dotCom	TIME DOTCOM BHD	44	A	409	11%	35	A	459
58	34	Kulim	KULIM MALAYSIA BHD	44	AA-	974	4%	40	AA-	827
59	96	Ta Ann Hldg Bhd	TA ANN HLDGS BHD	43	A	575	8%	37	A+	504
60	95	Jaya Tiasa Hldg Bhd	JAYA TIASA HLDGS BHD	43	A	735	6%	39	A-	604
61	91	United Plantations Bhd	UNITED PLANTATIONS BHD	41	A	942	4%	43	A	899
62	55	Bonia	BONIA CORP BHD	38	AA-	108	36%	36	A	97
63	106	Hiap Teck Venture Bhd	HIAP TECK VENTURE BHD	38	A	232	16%	34	A	260
64	94	Tan Chong Motor	TAN CHONG MOTOR HLDGS BHD	34	A	1,024	3%	40	A	1,259
65	115	Malaysian Re	MNRB HLDGS BHD	32	A	158	20%	28	A+	157
66	114	KUB	KUB MALAYSIA BHD	32	A	123	26%	29	A-	68
67	112	Lingui Developments Bhd	LINGUI DEVELOPMENTS BHD	32	A-	458	7%	31	A+	439
68	126	Press Metal Bhd	PRESS METAL BHD	30	A	626	5%	22	A	612
69	128	Hwang-DBS	HWANG-DBS (MALAYSIA) BHD	30	A-	193	15%	19	A-	156
70	111	Lonpac	LPI CAPITAL BHD	29	A	873	3%	32	A+	832
71	129	IJM	IJM CORP BHD	29	A	3,526	1%	19	A+	3,397
72	120	Bernas	PADIBERAS NASIONAL BHD	25	A+	840	3%	25	A+	549
73		MBSB	MALAYSIA BUILDING SOCIETY	23	A	707	3%			
74	107	Mulpha International Bhd	MULPHA INTERNATIONAL BHD	22	A-	576	4%	33	A	630
75	108	Malaysian Bulk Carriers Bhd	MALAYSIAN BULK CARRIERS BHD	22	A	529	4%	32	A+	914
76	148	Ancom Bhd	ANCOM BHD	21	A	120	18%	6	A	116
77	134	CCM	CHEMICAL CO OF MALAYSIA BHD	20	A	403	5%	14	A	497
78	116	Bursa Malaysia	BURSA MALAYSIA BHD	20	AA-	1,025	2%	27	A	1,443
79	131	Multi-Purpose Hldg Bhd	MULTI-PURPOSE HLDGS BHD	19	A-	1,716	1%	18	A	1,370
80	75	Cahaya Mata Sarawak Bhd	CAHYA MATA SARAWAK BHD	17	A	102	16%	58	A+	336
81		QSR Brands	QSR BRANDS BHD	16	A-	835	2%			
82	118	Kenanga Investment Bank	K & N KENANGA HLDGS BHD	14	A-	118	12%	26	A-	145
83	58	Media Prima	MEDIA PRIMA BHD	14	A+	866	2%	90	A+	481
84	133	Batu Kawan Bhd	BATU KAWAN BHD	11	A	2,058	1%	14	A+	1,710
85	121	KNM	KNM GROUP BHD	11	A+	623	2%	25	AA-	880
86	66	Malaysia Smelting Corp Bhd	MALAYSIA SMELTING CORP BHD	10	A	303	3%	11	A+	335
87	143	MBf	MBf HLDGS BHD	8	A-	540	1%	9	A	416
88	74	Nylex Malaysia Bhd	NYLEX MALAYSIA BHD	7	A-	70	10%	7	A-	78
89	89	Kwantas Corp Bhd	KWANTAS CORP BHD	6	A	390	2%	5	A	360
90	152	Takaful Ikhlas	MNRB HLDGS BHD	6	A-	26	23%	5	A	26
91	90	V.S. Industry Bhd	V.S. INDUSTRY BHD	6	A	76	8%	5	A	130
92	149	Pacificmas Bhd	OCBC GROUP	6	A	171	3%	6	A	248
93		Jobstreet	JOBSTREET CORP BHD	5	A-	194	3%			
94	130	Melewar Industrial Group Bhd	MELEWAR INDUSTRIAL GROUP BHD	4	A	327	1%	3	A	376
95	158	FCW	FCW HLDGS BHD	4	A	33	12%	2	A	33
96		Wing Tai Malaysia	WING TAI MALAYSIA BHD	4	A-	210	2%			
97		XOX	XOX BHD	3	A	14	24%			
98	150	Digistar Corp	DIGISTAR CORP BHD	3	A	25	13%	1	A	4
99	151	Redtone	REDTONE INTERNATIONAL BHD	3	A	36	9%	2	A	17
100	157	M-Mode Bhd	M-MODE BHD	2	A	9	26%	3	A-	4

*Source: Brand Finance®

Nation Brands

What difference does a nation brand make?

A strong nation brand helps in differentiating a nation's output and gives it an advantage in competing for financing, top talent and tourism. The nation brand can be leveraged by sub-brands within a nation, both public and private, to grow GDP and to help develop resilience in a nation's industries during a downturn. It allows for positive connotations from products and services to support one another, easing entry for a nation's companies into new markets, and aids in developing a breadth of offerings.

Increased GDP can be achieved as a result of improved nation brand management. This increase comes from various sectors and industries across an economy, which makes gaining a segmented understanding of a nation's brand health, risks and opportunities essential.

This report examines the Brand Finance® proprietary Nation Brand Impact™ framework and its 4 segments – Investment, Tourism, Product and Talent. These segments cover areas where a nation brand can enhance a country's GDP growth.

Development & Uses of Nation Brand Values

The construction of the Brand Strength Index (BSI) and through it the Brand Value league table is a multi-step process in which Brand Finance® captures a high level image of where the nation stands in its brand development and its place on the world stage relative to other nations.

The first step in the construction of the BSI is the collation of numerous international data sources to provide comparative data for all nations. Brand Finance® calculates the strength of 142 nation brands in using a 'balanced scorecard approach'. The scorecard benchmarks each nation across 147 nation brand attributes. The strength of each nation brand is expressed as an indexed score out of 100 and represents how well the nation brand is being implemented against its peers. This information is then analysed using brand valuation tools that were adapted from valuation models used for corporate sector brands and intellectual property.

This model incorporates not only the strength of individual brand components but also the general impact and size of a nation's output, trends in the nation's GDP growth, its overall development and development within specific segments. Further details of this methodology are available on page 47.

The BSI analysis provides the direction that Brand Finance® uses within our 3-Stage development strategy. This analysis explores in diagnostic and granular detail the impact of the 4 segments within a nation brand.

The strategy which comes from this analysis is more than simply valuing the brand. Combining visioning and stakeholder engagement with rigorous analysis Brand Finance® can help to develop creative solutions to build a nation brand.

The Brand Finance® Nation Brand Impact™ Framework

SEGMENT	INTERNAL	EXTERNAL
 <p>Investment</p>	<p>Domestic Investment Encourage local commerce to invest domestically as opposed to investing overseas</p>	<p>Inward Investment Attract Foreign Direct Investment (FDI), including business relocation</p>
 <p>Tourism</p>	<p>Domestic Tourism Encourage citizens to explore domestic destinations rather than vacationing abroad</p>	<p>Foreign Tourism Promote the nation to foreign tourists and conference delegates</p>
 <p>Product</p>	<p>Domestic Brands Encourage citizens to buy locally-made products and services i.e. reduce imports</p>	<p>Export Brands Promote nation's products and services to international markets i.e. increase exports</p>
 <p>Talent</p>	<p>Domestic Talent Encourage citizens to study and work locally, rather than going overseas i.e. avoid 'brain drain'</p>	<p>International Talent Encourage foreign students and skilled workers to come to study and work in the country</p>

The Nation Brand Impact™ framework identifies the 4 segments that enable countries to identify, build and unlock the potential economic value within their nation brand.

These 4 segments each have a crucial role to play in leveraging and improving a Nation Brand's ability to enhance GDP growth.

The Top 20 Most Valuable Nation Brands

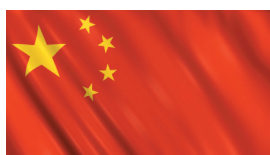
01 2011 RANK: 1
US\$14,641B Δ 19%
 RATING: AA
 UNITED STATES



08 2011 RANK: 10
US\$1,376B Δ 46%
 RATING: A
 BRAZIL



02 2011 RANK: 3
US\$4,847B Δ 61%
 RATING: A+
 CHINA



09 2011 RANK: 9
US\$1,247B Δ 2%
 RATING: A
 INDIA



03 2011 RANK: 2
US\$3,903B Δ 27%
 RATING: AA
 GERMANY



10 2011 RANK: 7
US\$1,104B Δ 30%
 RATING: A
 ITALY



04 2011 RANK: 4
US\$2,552B Δ 30%
 RATING: AA-
 JAPAN



11 2011 RANK: 11
US\$1,058B Δ 84%
 RATING: A-
 RUSSIA



05 2011 RANK: 5
US\$2,189B Δ 16%
 RATING: AA
 UNITED KINGDOM



12 2011 RANK: 14
US\$962B Δ 42%
 RATING: AA
 AUSTRALIA



06 2011 RANK: 6
US\$1,963B Δ 7%
 RATING: AA-
 FRANCE



13 2011 RANK: 13
US\$908B Δ 25%
 RATING: A
 SPAIN



07 2011 RANK: 8
US\$1,611B Δ 28%
 RATING: AA
 CANADA



14 2011 RANK: 17
US\$885B Δ 61%
 RATING: AA
 SWITZERLAND



For full results see Appendix 1 or visit www.brandirectory.com

15 2011 RANK: 12
US\$872B $\Delta 9\%$
 RATING: AA
 NETHERLANDS



16 2011 RANK: 15
US\$767B $\Delta 14\%$
 RATING: A
 MEXICO



17 2011 RANK: 16
US\$722B $\Delta 26\%$
 RATING: A+
 SOUTH KOREA



18 2011 RANK: 18
US\$666B $\Delta 48\%$
 RATING: AA
 SWEDEN



19 2011 RANK: 19
US\$487B $\Delta 33\%$
 RATING: A
 TURKEY



20 2011 RANK: 24
US\$472B $\Delta 75\%$
 RATING: A
 POLAND



The biggest gainers in brand value (out of the top 50 nations) can be seen in Figure 1. Poland has seen the greatest percentage increase in brand value in 2012 due largely to the expected long term GDP growth expectations. Poland's economy just keeps on growing. Poland is a major exception in the European Union — it hasn't been affected by recession from the time of the first big crisis in 2008, quite the opposite. The risk profile in the Polish economy for 2012 is lower than in 2011 (discount rates of 10.9% and 12.1% respectively). The Brand Strength Index (BSI) for Poland has increased marginally in 2012 with an indexed score of 56 (55 in 2011).

At the date of valuation the Euro 2012 football competition was months away from kick off with plans in both countries in the advanced stage. The expected uplift to the national economies as a result of the tournament has had an effect on the expected growth rates. Likewise the improvement in 'national image' and 'reputation' as a result of the hosting has had a positive impact on the nation performance.

As can be seen in Figure 2 Europe retains its position as the continent with the highest nation brand value in 2012 with US\$17.5 trillion. However growth has been a modest 18%. The growth in brand value would have been significantly lower if not for a number of faster growing Eastern European nations.

South America has seen the largest increase in brand value with 43% growth in 2012 due largely to the growth of brand Brazil. Of the three largest continents; North America, Europe and Asia, Asia has seen the largest increase in brand value (36%) by a considerable margin.

Brand Value Change 2012

Figure 1: Top 10 Nation Brands by % Increase in Brand Value from 2011 to 2012

*Source: Brand Finance®

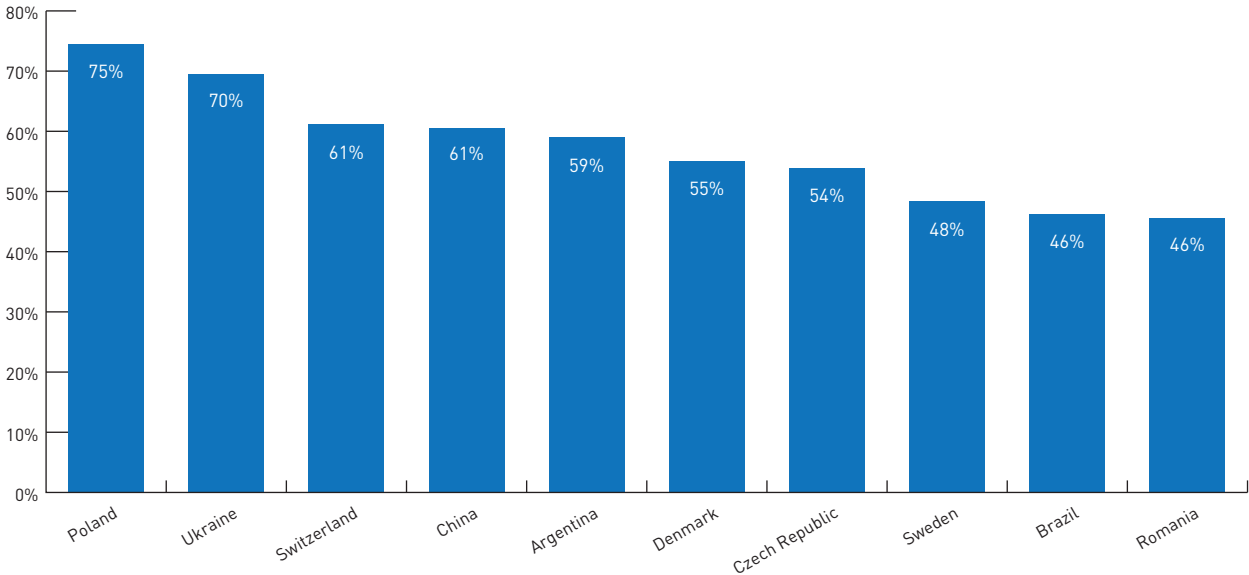
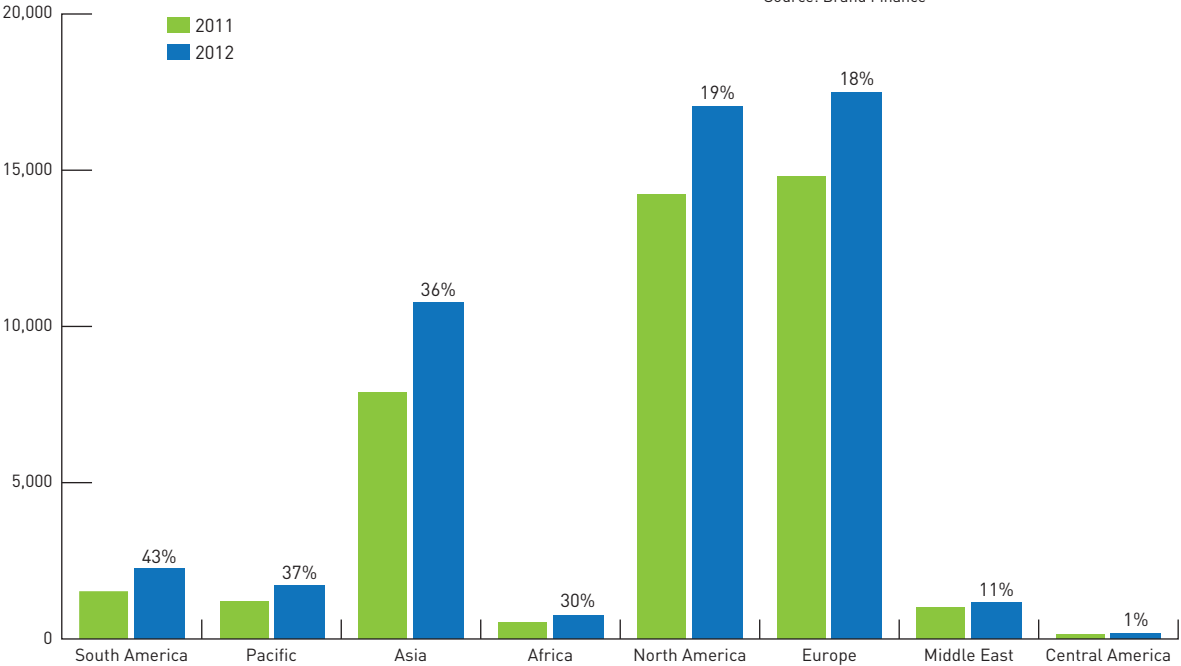


Figure 2: Brand Value Increase by Region in Billions (US\$)

*Source: Brand Finance®



Top 20 Strongest Nation Brands

	Nation Brand	Brand Rating 2012	BSI 2012	Investment 2012	Tourism 2012	Product 2012	Talent 2012
1	Singapore	AA	74	75	68	73	78
2	Switzerland	AA	74	74	68	72	79
3	United States	AA	74	74	66	73	77
4	Germany	AA	73	72	70	73	72
5	Sweden	AA	72	74	63	71	78
6	Netherlands	AA	71	69	66	70	76
7	Canada	AA	70	70	67	68	77
8	Australia	AA	70	69	72	67	75
9	United Kingdom	AA	70	69	68	67	73
10	Hong Kong	AA-	69	72	64	67	73
11	Japan	AA-	69	69	59	68	71
12	Denmark	AA-	69	72	60	67	75
13	Finland	AA-	69	70	58	67	77
14	Luxembourg	AA-	68	71	58	68	73
15	Norway	AA-	68	70	62	64	74
16	New Zealand	AA-	68	68	68	64	72
17	Taiwan, China	AA-	67	68	59	66	71
18	Qatar	AA-	67	70	59	67	69
19	Austria	AA-	67	66	68	64	70
20	Belgium	AA-	66	66	59	64	71

*Source: Brand Finance®

The strength of a nation brand across the 4 segments of the Nation Brand Impact™ framework is measured by the Brand Strength Index (BSI). This rating makes up a major component of the brand value.

Singapore held onto its spot as the strongest nation brand in 2012, increasing in brand strength to 74 from 72. This was driven by growth across all of the components of the BSI, with the most growth being seen in the Talent segment.

The rest of the top 20 nation brands by strength saw a shakeup from 2011 to 2012 led by the rise in Switzerland's and the USA's brand strength. They both reached a brand strength of 74 from 71 and 70 respectively. The brand strength of both nation brands grew across all segments, with Brand Switzerland showing its highest growth in the talent segment pushing out Brand Sweden for the top spot. Brand USA's largest contributor was the Product segment and it reached the top spot, replacing Brand Singapore.

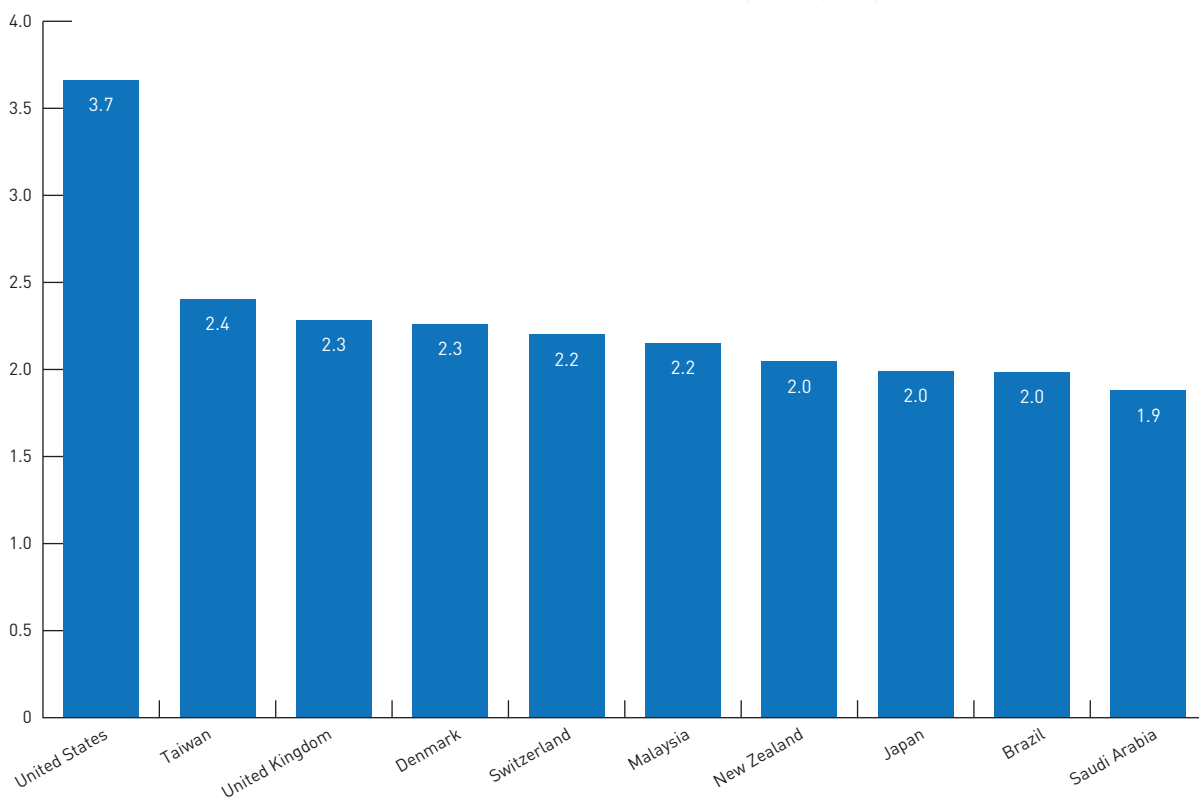
The remaining top 20 all saw growth, though this growth was uneven across the world. Brand Taiwan and Brand Qatar both moved up in 2012 which contributed to pushing Brand France out of the top 20. Brand France did see limited growth in brand strength to 66 from 65, but it was not enough to keep them from moving to 23rd from 18th in 2011.

Brand USA topped the growth in BSI overall as can be seen in figure 3, outstripping other nations. Brand USA was also the top in growth in the Investment, Product and Talent segments. This moved Brand USA to 3rd from 5th, coming close to beating out Brand Singapore and Brand Switzerland for the top spots in the BSI.

The top BSI growth across the other markets was split between successful developing markets such as Qatar and revivals in advanced economics such as Denmark.

Figure 3: Top 10 Nation Brands by BSI Growth 2011 to 2012

*Source: Brand Finance®



Background on Intangible Asset Value

Definition of Intangible Assets

There are different definitions of 'intangible assets'. According to Malaysian Financial Reporting Standard (MFRS) 138 'Intangible Asset', an intangible asset is 'an identifiable non-monetary asset without physical substance'.

According to MFRS 138 the definition of an intangible asset requires it to be:

- A) Non-monetary
- B) Without physical substance
- C) 'Identifiable'

In order to be 'identifiable' it must either be separable (capable of being separated from the entity and sold, transferred or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves 'separable').

Intangible assets can be broadly grouped into three categories:

(1) Rights: leases; distribution agreements; employment contracts' covenants' financing arrangements; supply contracts; licenses; certifications; franchises.

(2) Relationships: trained and assembled workforce; customer and distribution relationships.

(3) Intellectual Property: trademarks; patents; copyrights' proprietary technology (e.g. formulas; recipes; specifications; formulations; training programs; marketing strategies; artistic techniques; customer lists; demographic studies; product test results; business knowledge — processes; lead times; cost and pricing data; trade secrets and know-how).

In addition, there is what is sometimes termed 'unidentified intangible assets', including 'internally generated goodwill' (or 'going concern value'). It is important to recognise the

distinction between internally-generated and acquired intangible assets. Current accounting standards only allow acquired intangible assets to be recognised on the balance sheet. However, this is provided that they meet the above-mentioned criteria i.e. internally generated intangibles of a company cannot be explicitly stated on its balance sheet.

This results in what is sometimes described as 'internally generated goodwill'. This is the difference between the fair market value of a business and the value of its identifiable net assets. Although this residual value is not strictly an intangible asset in a strict sense (i.e. a controlled 'resource' expected to provide future benefits), it is treated as an intangible asset in a business combination when converted into goodwill on the acquiring company's balance sheet.

Intangible assets that may be recognised on a balance sheet under MFRS 138 are typically only a fraction of the total intangible asset value of a business, with the remaining value continuing to be classified as 'goodwill'. Brands, if acquired, can be identified under these rules and added to the balance sheet. This results in an unusual situation where internally-generated brands of the acquiree may be recognised on the acquirer's balance sheet but the acquirer's own internally-generated brands may not. For this reason, Brand Finance® thinks there is a strong case for the inclusion of internally-generated brands on the balance sheet.

Brands fulfil the definition of intangible assets above, in that they are controlled by management, provide future economic benefits and are identifiable and therefore can be sold, transferred or licensed as appropriate. We are increasingly seeing companies taking advantage of this transferability by moving brands (including trademarks and other associated intellectual property, such as design rights and other marketing collateral) to special purpose vehicles, such as brand holding companies, for the purpose of raising finance and tax planning.

Value Characteristics of Intangible Assets

Valuation of intangible assets requires an understanding of their characteristics and the role that they play in the entire value chain. The following attributes of intangible assets have important value implications:

- **Absence of efficient trading markets:** Unlike tangible assets, the absence of efficient trading markets for intangible assets makes the market approach to valuation by using transaction price not possible.
- **Lack of a linear relationship between investment and returns:** This limits the use of the cost approach to valuation, except for easily replicable assets.
- **Poor non-financial metrics to measure the quality of intangible asset:** Nevertheless, useful valuation insights can be gained from sources such as market research, intellectual property audits and business plans.
- **Value is derived from interactions with other assets (both tangible and intangible):** This results in a complex value chain, and thus calls for the need of value maps to explore the interactions between them.
- **Specific bundle of rights (legal and otherwise):** There are rights associated with the existence of any intangible asset.
- **The need for convenient identification:** For valuation purposes, the intangible assets must be readily identifiable and capable of being separated from the other assets employed in the business. It is sometimes necessary to group complementary intangibles for valuation purposes.
- **The need for a detailed and precise definition of the asset:** This is particularly important where this consists of a bundle of rights. The components should be broken down in terms of specific trademarks, copyright, design rights, formulations, patents, and trade secrets.

IFRS 103: Allocating the Cost of a Business Combination

In Malaysia, the MFRS 103 'Business Combination' is consistent with IFRS 103 in all material aspects. At the date of acquisition, an acquirer must measure the cost of the business combination by recognising the acquiree's identifiable assets (tangible and intangible), liabilities and contingent liabilities at their fair value. Any difference between the total of the net assets acquired and the cost of acquisition is treated as goodwill (or negative goodwill).

The classifications of intangible assets under IFRS 103 include:

- Artistic-related intangible assets
- Marketing-related intangible assets
- Technology-based intangible assets
- Customer-related intangible assets
- Contract-based intangible assets

Goodwill: After initial recognition of goodwill, MFRS 103 requires that goodwill be recorded at cost less accumulated impairment charges. Whereas previously, goodwill was amortised over its useful economic life, it is now subject to impairment testing at least once a year. Amortisation is no longer permitted.

Negative Goodwill: Negative goodwill arises where the purchase price is less than the fair value of the net assets acquired. It must be recognised immediately as a profit in the profit and loss account. However, before concluding that 'negative goodwill' has arisen, MFRS 103 requires that an acquirer should 'reassess' the identification and measurement of the acquired identifiable assets and liabilities.

MFRS 36: Impairment of Intangible Assets and Goodwill

Previously an impairment test was only required if a 'triggering event' indicated that impairment might have occurred. Under the rules, MFRS 36 'Impairment of Assets' also requires an annual impairment test for certain assets, namely:

- Goodwill acquired in a business combination.
- Intangible assets with an indefinite useful economic life (e.g. strong brands) and intangible assets not yet available for use. The recoverable amount of these assets must be measured annually (regardless of the existence or otherwise of an indicator of impairment) and at any other time when an indicator of impairment exists. Brands are one major class of intangible assets that are often considered to have indefinite useful economic lives. Where acquired brands are recognised on the balance sheet post acquisition it is important to establish a robust and supportable valuation model using best practice valuation techniques that can be consistently applied at each annual impairment review. There is also new disclosure requirements, the principal one being the disclosure of the key assumptions used in the calculation. Increased disclosure is required where a reasonably possible change in a key assumption would result in actual impairment.

Impact on Management and Investors

Management

Perhaps the most important impact of new reporting standards has been on management accountability. Greater transparency, rigorous impairment testing and additional disclosure will mean more scrutiny both internally and externally. The requirement of the acquiring company having to explain at least a part of what was previously considered as 'goodwill' should help analysts to

analyse deals more closely and gauge whether management have paid a sensible price. The new standards will also have a significant impact on the way companies plan their acquisitions. When considering an acquisition, to assess the impact on the consolidated group balance sheet and profit and loss post-acquisition, a detailed analysis of all the target company's potential assets and liabilities is recommended. Companies need to pay close attention to the likely classification and useful economic lives of the identifiable intangible assets in the target company's business. This will have a direct impact on the future earnings of the acquiring group. In addition to amortisation charges for intangible assets with finite useful economic lives, impairment tests on assets with indefinite useful economic lives may lead to one-off charges. This is particularly so if the acquired business falls short of expectations post-acquisition. The requirement for separate balance sheet recognition of intangible assets, together with impairment testing of those assets and also goodwill, is expected to result in an increase in the involvement of independent specialist valuers in valuations and appropriate disclosure.

Investors

The requirement for companies to attempt to identify what intangible assets they are acquiring as part of a corporate transaction may provide evidence as to whether a group has overpaid in a deal. Subsequent impairment tests may also shed light on whether the price paid was a respectable one for the acquiring company's shareholders. Regular impairment testing is likely to result in a greater volatility in financial results. Significant one-off impairment charges may indicate that a company has overpaid for an acquisition and have the potential to damage the credibility of management in the eyes of the investment community. Analysts and investors are often skeptical about disclosed intangible assets. In the case of brand (and other intangible assets) valuation, where a high degree of subjectivity can exist, it is important to demonstrate that best practices have been applied and that the impairment review process is robust.

Tax and Intangible Assets

Other than M&A, strategic planning and ROI analysis, the rise in the importance of marketing intangibles can often mean that there is a strong business case for setting up a central intellectual property (IP) holding company (IPCo). Locating and managing an IPCo from one central location, potentially in a low tax jurisdiction, makes a compelling commercial case, particularly where a group is active in a number of different territories.

The size and authority of the IPCo are variable and dependent on the requirements of the group in question. The benefits include greater IP protection and consistency and improved resource allocation. It is important that genuine commercial drivers for the establishment of IPCos can be demonstrated.

Examples of established IPCos by global companies include:

- BATMark (in UK, US, Switzerland & Netherlands)
- Shell Brand International AG (Switzerland)
- Société des Produits Nestlé (Switzerland)
- Philip Morris Products SA (Switzerland)
- Marvel Characters, Inc (USA)

Commercial benefits of central IPCos include:

- Better resource allocation.
- Higher return on brand investment.
- Tax savings under certain circumstances.
- Clarity of the strength, value and ownership of the IP will ensure that full value is gained from third party agreements.
- Internal royalties result in greater visibility of the true economic performance of operating companies improved earnings streams from external licenses.
- More effective and efficient IP protection will reduce the risk of infringement or loss of a trademark in key categories and jurisdictions.
- Internal licenses should be used to clarify the rights and responsibilities of the IPCos and operating units. The adoption of consistent and coherent brand strategy, marketing investment and brand control improves brand performance.

This can have the following results:

- Accumulation of profits in a low tax jurisdiction.
- Tax deductions in high tax jurisdictions.
- Tax deductions for the amortisation of intangibles in IPCo.
- Depending on double tax treaties, the elimination or reduction of withholding taxes on income flows resulting from the exploitation of the IP.

The Malaysia government has several IP friendly tax policies for IP rights holders to establish Malaysia as an attractive country to manage their IP. There are a variety of IP tax incentives, deduction, benefits and grants to encourage the creation, ownership, protection and exploitation of IP in Malaysia.

The Role of Brands in Driving Enterprise Value

Brands create value by shifting both the demand and supply curves. On the demand side they influence consumer behaviour leading to greater trial, improved frequency of use, increased loyalty and a willingness to pay a price premium. On the supply side, strong brands can attract better talent, influence terms of trade, and even reduce the cost of capital.

An understanding of brand value is essential to various decision-makers in various ways:

- Brand managers need to understand how brands influence consumer perceptions and behaviour in order to develop strategies that optimise market performance and brand value.
- Finance managers are faced with impairment risks as well as transfer pricing considerations that require an understanding of intangible asset values. They also play a role in protecting brand value by maintaining adequate levels of brand investment in bad and good times.
- Deal makers increasingly need to gauge the investment value and value potential of brands in assessing the merits of a transaction.

Preparing for Take-Off

Companies have got themselves into good shape over the past three years. But as we settle into what could be another challenging year, they need to maintain, develop and exploit their intangible assets — not least their brands — in order to rebuild shareholder value. **Professor Malcolm McDonald** explains.

The most common financial objective of modern commercial corporations is to create sustainable shareholder value. They can do this only by providing shareholders with a total return, from capital growth and dividend yield, that exceeds their risk-adjusted required rate of return for any particular investment.

In today's highly competitive environment, the major sources of increased shareholder value are intangible marketing assets such as brands, customer relationships and distribution channels. Together these account for what Brand Finance® has identified as up to 80% of the company's value — and value that does not appear on the traditional balance sheet.

Clearly, therefore, companies should be rigorously reviewing their marketing strategies in order to determine how to develop, maintain and exploit these intangible assets. Unfortunately, however, although most companies conduct rigorous financial due-diligence analysis on major acquisitions and strategic investments, marketing strategy has remained largely exempt from this process.

The risk/return relationship

Conducting structured, sequential marketing or brand due-diligence on any proposed marketing strategy will determine how likely that marketing strategy is to increase shareholder value. The amount of shareholder value created depends on the level of risk investors are prepared to tolerate in exchange for their desired reward.

As Figure 1 shows, you get a minimum positive required rate of return where the risk/return line cuts the vertical axis. This minimum required rate of return carries no perceived risk, which implies guaranteed future returns. For investors in stable economies this normally means government-guaranteed borrowings (for example, US treasury bills,

UK government gilts, European Central Bank debt). The returns on such investments are currently low, but they are seen as risk free owing to their lack of volatility and investors' certainty about what return they will get and when they will get it.

Logically, therefore, a normal, rational, risk-averse investor will expect a bigger return from a more risky investment. Shareholder value is created only when total returns are greater than the risk-adjusted required rate of return. So a company can grow its profits without creating shareholder value if the associated risks are also increasing.

FIGURE 1: RISK-ADJUSTED REQUIRED RATE OF RETURN

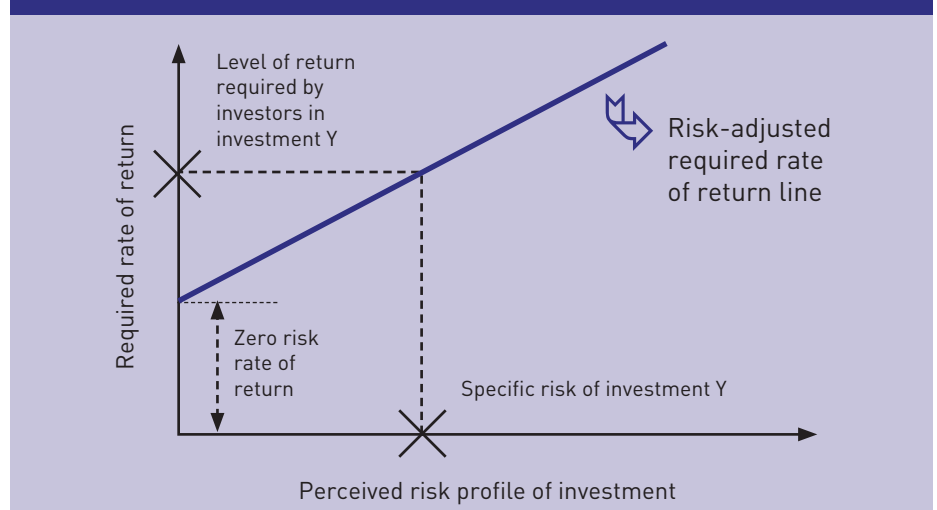
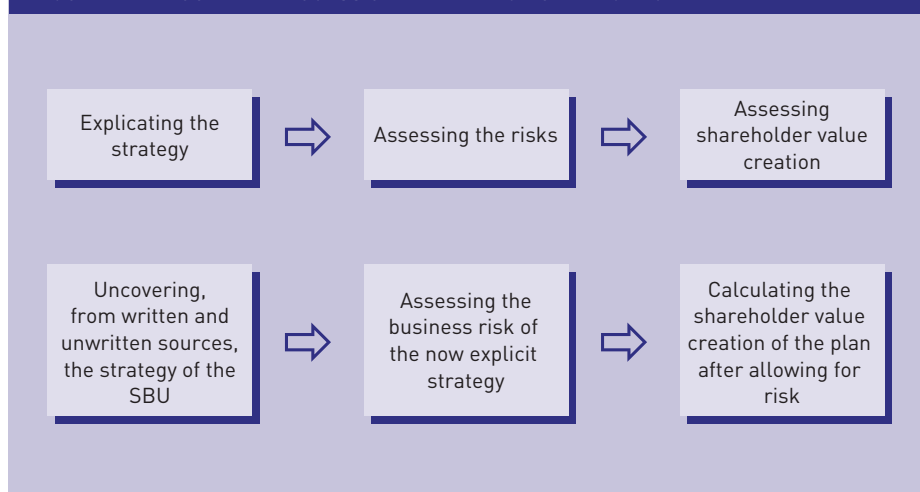


FIGURE 2: THE OUTLINE PROCESS OF MARKETING DUE DILIGENCE



Marketing due diligence

Because investors are interested in the risk-adjusted rate of return, it is equally (and sometimes even more) important that companies manage risk as well as returns. And a robust marketing strategy reduces the risk associated with a promised return.

Marketing/brand due diligence is a sophisticated process not easily reduced to simple mnemonics and acronyms. But it helps to understand each layer of complexity one step at a time.

The first step is to consider marketing due diligence as a three-stage process, as represented in Figure 2. Stage one makes the marketing strategy explicit, which provides the input into stage two. In stage two, the risks associated with the marketing strategy are thoroughly examined. In stage three, risk is evaluated to calculate whether or not the marketing strategy will create shareholder value.

Assessing the risks

In essence, all business plans make three basic assumptions.

- (1) The market is this big.
- (2) We're going to take this share of the market.
- (3) That share will make this much profit.

Each of these assumptions carries a level of risk that it may be wrong, and the combined risk is the business risk.

As simplistic as it appears, this three-part structure of business risk captures all of the hundreds of possible reasons — from fickle customers to aggressive competition to flawed forecasts — why a business plan can fail to deliver what it promised. Thinking of risk assessment in these terms shifts the problem from one off complexity (have we counted all the risks?) to one off rigour (have we accurately assessed each of the three risks?).

Creating financial value

This first step of the marketing due diligence diagnostic process, therefore, should result in an adjusted set of forecast sales revenues, profits and cash flows from the proposed marketing strategy.

The next step is to assess whether these adjusted expected cash flows will enhance shareholder value. You do this by putting them into the context of the capital employed in implementing the marketing strategy and the resulting required rate of return on this capital employed.

The capital employed that you use for this calculation should be the genuine capital that is required in the business in order to implement this marketing strategy. In other words, it should include the value of the relevant intangible assets owned and used by the business and not be limited to the historically based, tangible-asset oriented balance sheets published by most companies.

The role of successful brands

Until Kraft acquired Cadbury in 2010, one of the most significant acquisitions was that of Gillette by Procter and Gamble in 2005 (see Figure 3). But while the retail and supplier network is shown as being valued at £10 billion, few would dispute the fact that this itself is the result of, not the cause of, successful brands.

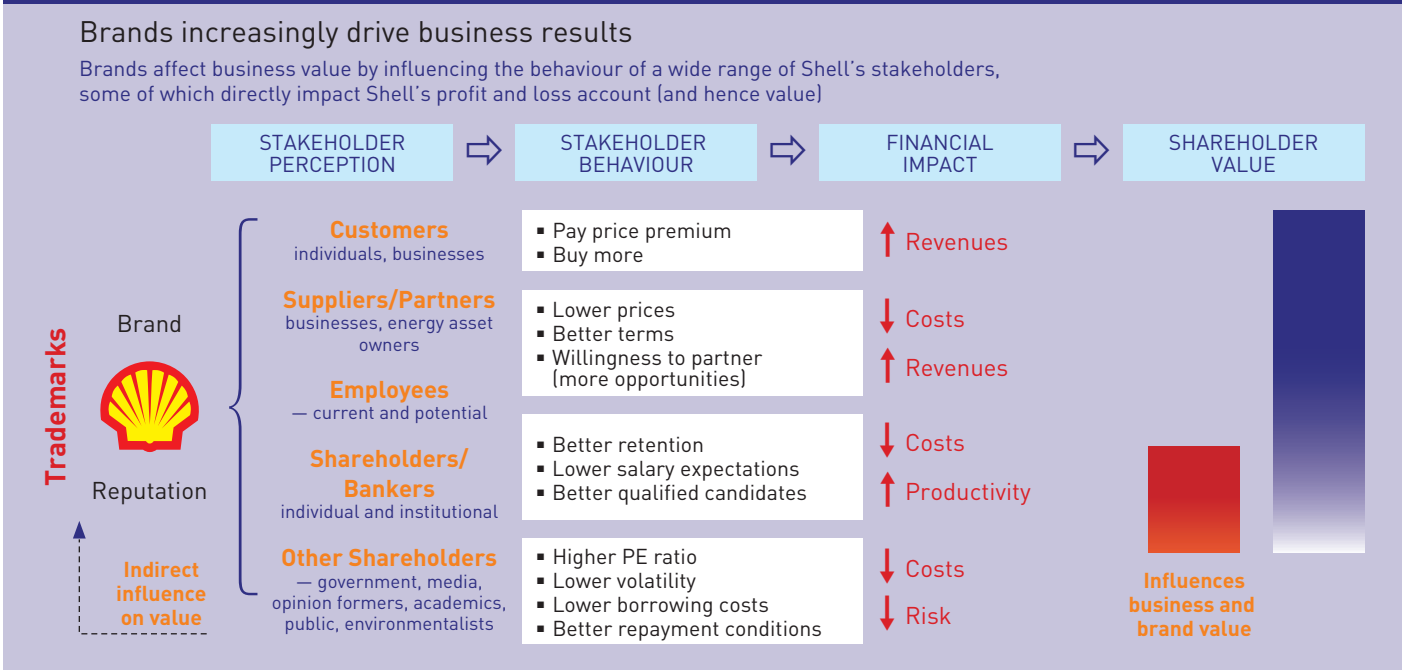
FIGURE 3: THE VALUE OF INTANGIBLES

P&G paid £31 billion for Gillette, but bought only £4 billion of tangible assets.	
Gillette brand	£4.0 billion
Duracell brand	£2.5 billion
Oral B	£2.0 billion
Braun	£1.5 billion
Retailer and supplier network	£10.0 billion
Gillette innovative capability	£7.0 billion
TOTAL	£27.0 billion

The role of brands in growing shareholder value is also illustrated in Figure 4. Based on Shell, the chart shows that brands affect business value by influencing the behaviour of a wide range of stakeholders.

The Shell example raises the question of what constitutes 'a successful brand'. A successful brand is more than a name or symbol on a product, service, person or place. A successful brand creates 'super profits' (another expression for shareholder value added) by providing a superior experience at every touch point between a company and its customers, across all channels.

FIGURE 4: BASED ON SHELL, THE CHART SHOWS THAT BRANDS AFFECT BUSINESS VALUE BY INFLUENCING THE BEHAVIOUR OF A WIDE RANGE OF STAKEHOLDERS.



Source: Shell Brands International

Successful brands

- have a clear customer benefit.
- make a promise and keep it.
- are simple, clear and honest.
- have distinctive logos and design.
- are widely available.
- build trust.
- have a price/quality trade-off — win/win help consumers make good decisions.
- result in higher margins and volumes, innovation and better quality.

By contrast, unsuccessful brands exhibit the following characteristics:

- success led to smugness.
- superior margins became the primary purpose.
- cut corners/reduced costs.
- economical with the truth (may be 'low fat', for instance, but no mention of high sugar content).
- add some gold to the packaging (illusion of quality).
- make decision-making harder.
- became the new commodities.

Though growing numbers of organisations recognise the need to differentiate their brands, many totally misunderstand the concept. Great brands do not differentiate for the sake of it.

They differentiate around core category benefits, they make the brand famous and distinctive and they make it easy to buy through distribution and penetration.

Brand Finance® understands that everything an organisation does and stands for — from research and development through to after-sales service — converges on the proposition that is projected to the customer, and that all of this is represented by the product or corporate brand name. No wonder that more and more organisations are asking us to help them value brands in order to drive greater shareholder value.

Most boards still focus on reporting the financial performance of a business, which makes marketing/brand due diligence critically important to internal audit functions, particularly those in large, multi-business corporations. Owing to the geographic spread and complexity of these large firms, their boards need to be assured of the consistency, accuracy and relevance of the information they receive — particularly for the purpose of critical, strategic investment decisions where the financial justification is based on forecasts of future expected outcomes.

This is also a way for CEOs to hold their marketing directors to account for ensuring that their marketing strategies really do deliver shareholder value.

At a fundamental level, marketing due diligence is very simple. You can never eliminate business risk entirely, but it is possible to reduce it to a practical minimum. The residual risk is identified, located and, most importantly, understood — and this requires an approach that is far from simplistic, relying as it does on the results of many years research into why businesses succeed and fail.

As with the information gleaned from the black boxes of crashed aircrafts, the research allows us to both group the reasons for failure and suggest ways to avoid it. In that sense, marketing/brand due diligence is analogous to pre-flight checks, and carries similar implications for reliability and safety.

Once marketing/brand due diligence becomes a routine process for assessing the strategic decisions of company directors, the flaws it detects and the challenges it highlights may become fewer and more routine. But until then, the process is likely to prove revelatory for many boards.

Methodology

New International Standard on Brand Valuation

David Haigh, CEO, Brand Finance® plc

In 2007, the International Organization for Standardization (ISO), a worldwide federation of national standard setting bodies, set up a task force to draft an International Standard (IS) on monetary brand valuation.

After 4 years of discussion and deliberation ISO 10668 — Monetary Brand Valuation was released in early 2010. This set out the principles which should be adopted when valuing any brand.

The new IS applies to brand valuations commissioned for all purposes, including:

- Accounting and financial reporting
- Insolvency and liquidation
- Tax planning and compliance
- Litigation support and dispute resolution
- Corporate finance and fundraising
- Licensing and joint venture negotiation
- Internal management information and reporting
- Strategic planning and brand management

The last of these applications includes:

- Brand and marketing budget determination
- Brand portfolio review
- Brand architecture analysis
- Brand extension planning

Under IS 10668 the brand valuer must declare the purpose of the valuation as this affects the premise or basis of value, the valuation assumptions used and the ultimate valuation opinion, all of which need to be transparent to a user of the final brand valuation report.

Required work streams in an ISO compliant brand valuation?

IS 10668 is a 'meta standard' which succinctly specifies the principles to be followed and the types of work to be conducted in any brand valuation. It is a summary of existing best practice and intentionally avoids detailed methodological work steps and requirements.

As such IS 10668 applies to all proprietary and non-proprietary brand valuation approaches and methodologies that have been developed over the years, so long as they follow the fundamental principles specified in the meta standard.

IS 10668 specifies that when conducting a brand valuation, the brand valuer must conduct 3 types of analysis before passing an opinion on the brand's value.

These are Legal, Behavioural and Financial analysis. All three types of analysis are required to arrive at a thorough brand valuation opinion. This requirement applies to valuations of existing brands, new brands and extended brands.

Module 1 - Legal Analysis

The first requirement is to define what is meant by 'brand' and which intangible assets should be included in the brand valuation opinion.

IS 10668 begins by defining Trademarks in conventional terms but it also refers to other Intangible Assets (IA) including Intellectual Property Rights (IPR) which are often included in broader definitions of 'brand'.

International Financial Reporting Standard (IFRS) specifies how all acquired assets should be defined, valued and accounted for post-acquisition. It refers to five specific IA types which can be separated from residual Goodwill arising on acquisition.

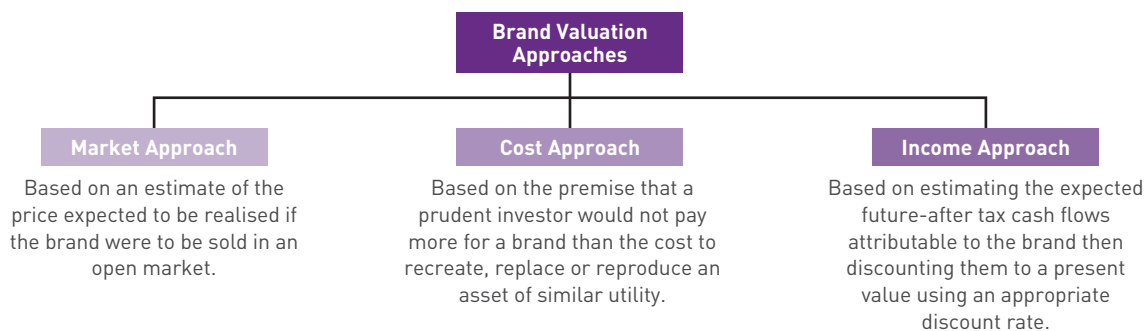
These are: technological, customer, contractual, artistic and marketing related IA.

IS 10668 mirrors this classification by defining brands as marketing-related IA, including trademarks and other associated IPR. This refers inter alia to design rights, domain names, copyrights and other marketing-related IA and IPR which may be included in a broader definition of 'brand'.

The brand valuer must precisely determine the bundle of IA and IPR included in the definition of 'brand' subject to valuation. He may include names, terms, signs, symbols, logos, designs, domains or other related IPR intended to identify goods and services and which create distinctive images and associations in the minds of stakeholders, generating economic benefits for the branded business.

The brand valuer is required to assess the legal protection afforded to the brand by identifying each of the legal rights that protect it, the legal owner of each relevant legal right and the legal parameters influencing negatively or positively the value of the brand.

It is vital that the brand valuation includes an assessment of the legal protection afforded to the brand in each geographical jurisdiction and product or service registration category.



*Source: Brand Finance®

These legal rights vary between legal systems and need to be carefully considered when forming the brand valuation opinion. For example, the legal rights protecting brands exist at a national (UK), supra-national (EU) and global (WIPO) level, and have different characteristics.

Extensive due diligence and risk analysis is required in the Legal analysis module of an IS 10668 compliant brand valuation. It should be noted that the Legal analysis must be segmented by type of IPR, territory and business category.

The brand valuation opinion may be affected positively or negatively by the distinctiveness, scope of use or registration (territory and business category), extent of use, notoriety of the brand, risk of cancellation, priority, dilution and the ability of the brand owner to enforce such legal rights.

Module 2 — Behavioural Analysis

The second requirement when valuing brands under IS 10668 is a thorough Behavioural analysis. The brand valuer must understand and form an opinion on likely stakeholder behaviour in each of the geographical, product and customer segments in which the subject brand operates.

To do this, it is necessary to understand:

- Market size and trends — determined by conducting a critical review of predicted trends in distribution channels, customer demographics, market volumes, values and margins
- Contribution of brand to the purchase decision — determining the monetary brand contribution in the geographical, product and customer segments under review
- Attitude of all stakeholder groups to the brand — to assess the long term demand for the brand, any risks to the branded business and the appropriate cost of capital
- All economic benefits conferred on the branded business by the brand — to assess the sustainability of future revenues and profits

The brand valuer needs to research brand value drivers, including an evaluation of relevant stakeholders' perceptions of the brand in comparison with competitor brands. Measures

commonly used to understand brand strength include awareness, perceptual attributes, knowledge, attitude and loyalty. The brand valuer needs to assess the brand's strength in order to estimate future sales volumes, revenues and risks.

Module 3 — Financial Analysis

The third requirement when valuing brands under IS 10668 is a thorough financial analysis.

IS 10668 specifies three alternative brand valuation approaches - the Market, Cost and Income Approaches. The purpose of the brand valuation, the premise or basis of value and the characteristics of the subject brand dictate which primary approach should be used to calculate its value.

■ Market approach

The market approach measures value by reference to what other purchasers in the market have paid for similar assets to those being valued. The application of a market approach results in an estimate of the price expected to be realised if the brand were to be sold in the open market. Data on the price paid for comparable brands is collected and adjustments are made to compensate for differences between those brands and the brand under review.

As brands are unique and it is often hard to find relevant comparables this is not a widely used approach.

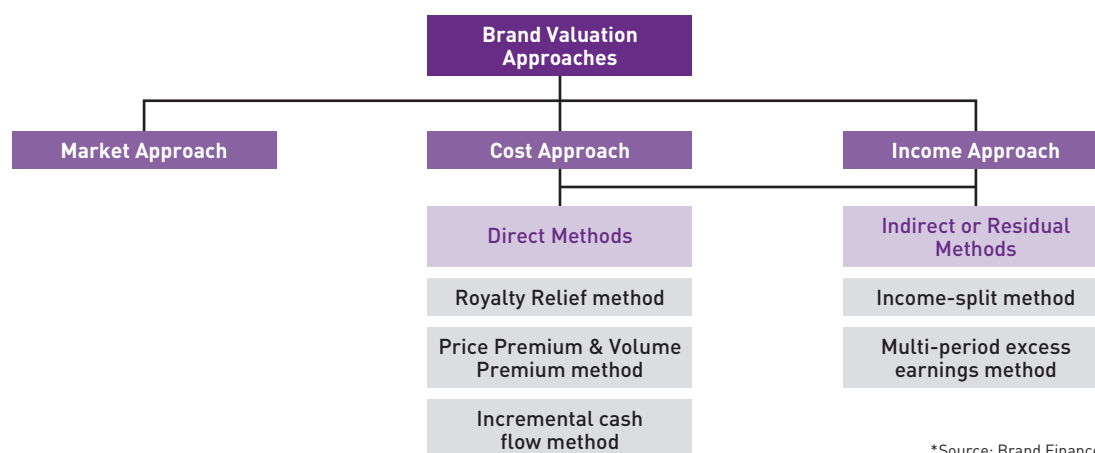
■ Cost approach

The cost approach measures value by reference to the cost invested in creating, replacing or reproducing the brand. This approach is based on the premise that a prudent investor would not pay more for a brand than the cost to recreate, replace or reproduce an asset of similar utility.

As the value of brands seldom equates to the costs invested creating them (or hypothetically replacing or reproducing them), this is not a widely used approach.

■ Income approach

The income approach measures value by reference to the economic benefits expected to be received over the remaining



*Source: Brand Finance®

useful economic life of the brand. This involves estimating the expected future, after-tax cash flows attributable to the brand then discounting them to a present value using an appropriate discount rate.

As the value of brands stems from their ability to generate higher profits for either their existing or potential new owners, this is the most widely accepted and utilised brand valuation approach.

When conducting a brand valuation using the income approach, various methods are suggested by IS 10668 to determine future cash flows.

▪ Royalty Relief method

This is the most widely used method used to determine brand cash flows. This method assumes that the brand is not owned by the branded business but is licensed in from a third party. The value is deemed to be the present value of the royalty payments saved by virtue of owning the brand.

The royalty rate applied in the valuation is determined after an in-depth analysis of available data from licensing arrangements for comparable brands and an appropriate split of brand earnings between licensor and licensee, using behavioural and business analysis.

The Royalty Relief method is widely used because it is grounded in commercial reality and can be benchmarked against real world transactions.

▪ Price Premium and Volume Premium methods

The Price Premium method estimates the value of a brand by reference to the price premium it commands over unbranded, weakly branded or generic products or services. In practice it is often difficult to identify unbranded comparators. To identify the full impact on demand created by a brand the Price Premium method is typically used in conjunction with the Volume Premium method.

The Volume Premium method estimates the value of a brand by reference to the volume premium that it generates.

Additional cash flows generated through a volume premium are determined by reference to an analysis of relative market shares. The additional cash flow generated by an above average brand is deemed to be the cash flow related to its 'excess' market share. In determining relevant volume premiums, the valuer has to consider other factors which may explain a dominant market share, such as legislation which establishes a monopoly position for one brand.

Taken together, the Price Premium and Volume Premium methods provide a useful insight into the value a brand adds to revenue drivers in the business model. Other methods go further to explain the value impact of brands on revenue and cost drivers.

▪ Income-split method

The income-split method starts with net operating profits and deducts a charge for total tangible capital employed in the branded business, to arrive at 'economic profits' attributable to total intangible capital employed. Behavioural analysis is then used to identify the percentage contribution of brand to these intangible economic profits. The same analysis can be used to determine the percentage contribution of other intangible assets such as patents or technology. The value of the brand is deemed to be the present value of the percentage of future intangible economic profits attributable to the brand.

▪ Multi-period excess earnings method

The multi-period excess earnings method is similar to the income-split method. However, in this case the brand valuer first values each tangible and intangible asset employed in the branded business (other than the brand). He uses a variety of valuation approaches and methods depending on what is considered most appropriate to each specific asset.

Having arrived at the value of all other tangible and intangible assets employed in the branded business, a charge is then made against earnings for each of these assets, leaving residual earnings attributable to the brand alone. The brand value is deemed to be the present value of all such residual earnings over the remaining useful economic life of the brand.

■ Incremental cash flow method

The incremental cash flow method identifies all cash flows generated by the brand in a business, by comparison with comparable businesses with no such brand. Cash flows are generated through both increased revenues and reduced costs.

This is a more detailed and complex approach which tends not to be used in technical brand valuations but is extremely useful for strategic, commercial purposes such as when Virgin negotiates a new brand license with a new licensee. The incremental value added to the licensee's business forms the starting point for the negotiation.

■ Discount rate determination

Under the income approach, risks that are not already reflected in future cash flows must be considered in the discount rate.

The discount rate used for discounting future expected cash flows attributable to a brand is usually derived from the Weighted Average Cost of Capital (WACC) of the business.

How should international brands approach the valuation of existing marks?

IS 10668 was developed to provide a consistent framework for the valuation of local, national and international brands both large and small. The primary concern was to create an approach to brand valuation which was transparent, reconcilable and repeatable. In the wake of the standard's launch, it is expected that many businesses will either value their brands for the first time or revalue them compliant with the standard.

How should companies approach the question of brand diversification versus entrenchment?

Common commercial applications of brand valuation are brand portfolio and brand architecture reviews. The first considers whether the right number of brands and sub-brands are in the portfolio. The second considers whether individual brands are too fragmented and extended.

A good example of both applications at work can be found in Unilever's 'Path to Growth' strategy. In 2000, Niall Fitzgerald announced a plan to increase Unilever's annual revenue growth rate to 5-6% with margins of 16%.

To achieve this, Unilever's 1600 brands were to be valued, reviewed and rationalised down to 400 power brands. The a priori assumption was that many smaller, local brands were sub-optimal and offered slower growth prospects than the

global brands. Within 2 years, 1200 under-performing local and regional brands were sold or starved of investment to feed the growth of the 400 global power brands.

In many respects the Unilever policy made sense. For example, Dove has been turned into a global power brand with diversification into many product lines and market segments, rapid volume growth, and revenues and profits measured in billions of dollars.

However, the strategy sacrificed many new or developing brands in countries like India because they could not be turned into global brands quickly. Local brand owners enthusiastically bought the divested brands or exploited the gap created by starving local Unilever brands of investment.

In this case, internal brand valuation teams were used to evaluate and prioritise the brand portfolio. Unilever is a leading edge company which follows best practices represented by IS 10668. Rationalisation and extension was supported by Legal analysis to establish the strength and extendibility of its brands. Extensive Behavioural analysis was applied throughout its portfolio and Financial analysis was conducted by a cadre of internal marketing finance analysts.

If any mistakes were made, it merely demonstrates that brand valuations are a mechanism for decision making which are driven by data, analysis and assumptions that may prove to be incorrect. The IS standard insists that sensitivity analysis showing a range of values, based on different assumptions, should be included in an opinion, not just a single value.

A brand valuation is an opinion at a point in time. Brand valuation models need to be updated and reviewed on a regular basis, and management decisions need to change in the light of changing conclusions flowing from them.

Brand valuation is a technique to support management, which is why it is vital that the technique should be consistent, transparent and reproducible as required by IS 10668.

How do you value an existing brand, then extend the analysis to measure the positive and negative impact of additional trademarks/brand extensions to the existing business/marks?

Dove is a good example of a Unilever brand which was prioritised in the 'Path to Growth' strategy. It has been extended into many product categories and each extension was rigorously valued.

The Dove brand was launched in the US in 1955, as a cleansing soap bar with moisturising properties, which had been developed to treat burn victims during the Korean war. In 1957, the basic Dove soap bar formula was refined and developed into the 'Original Dove Beauty bar'. It was launched as a beauty soap, clinically proven to be milder on dry and sensitive skins. In 1979, an independent clinical dermatological study proved Dove 'Beauty bar' was milder than 17 leading bar soaps. The phrase 'cleansing cream' was replaced with 'moisturizer cream' in its marketing materials.

Dove was launched in the UK in the 1990s. In 2001, Dove made its first foray into antiperspirant deodorant lines. Hair care products followed in 2003. Dove was launched in the soap category but has always been positioned without referring to it as 'soap'. It is always referred to as a 'beauty bar' with 25% cleansing cream. Positioning the brand this way has allowed it to extend into antiperspirants, deodorants, body washes, beauty bars, lotions, moisturizers, hair care and facial care products globally. It is now a global brand with a variety of sub-brand ranges (Original, Go Fresh, Intensive Care, Supreme, Summer Care).

To become a global brand, Dove needed wide appeal, across cultural, racial and age boundaries. In 2004, it therefore launched the Campaign for Real Beauty, which highlighted the brand's commitment to broadening definitions of beauty. Dove launched the Self Esteem.

Fund in 2005, which acts as an agent of change to educate and inspire young girls on a wider definition of beauty. It aims to boost the self-confidence of young girls and women, enabling them to reach their full potential in life. In 2007, Dove also launched Pro*Age, a range of skin care, deodorant and hair care specifically designed for mature skin.

Dove's apparently effortless success makes brand extension look easy. But the Unilever marketing team could have stumbled at many points. They needed a clear and universally appealing brand proposition...simple, natural, caring, feminine, healthy, inclusive, multi-cultural, unpretentious, good value. They then needed a strong and memorable brand name that could be registered and defended in all likely product categories and geographical jurisdictions. They needed defensible sub-brand names. They needed a logo (a simply drawn dove), trade dress (predominantly white packaging), compelling copyright (advertising and collateral) and they needed a compelling trade sales force and campaign.

Having gone global in many SKUs, a valid question now hangs over the Dove brand. Has it reached the limits of its capacity to extend? There is a danger that if Dove is extended any further into fragrance, personal care or household products, its brand equity with consumers will become diluted and confused. Its brand value may decline.

If brands diversify, what challenges does this create for trademark counsel?

Brand valuations following the IS 10668 standard help to alert management to all manners of opportunities and threats. They consider the Legal ability of the brand to win protection in new categories, the financial attractiveness of extending into any new categories, the risks posed by new extensions and above all the behavioural response of consumers to further brand extension.

Conclusion

A robust brand valuation can help avoid the fate which befell the Pierre Cardin brand, which was extended and diluted to such an extent that over extension is now referred to as 'Cardinisation'.

The role of trademark counsel in this process is vital.

- Firstly, to keep up with marketing management keen to extend and extend.
- Secondly, to advise whether and how brands and sub-brands can be registered.
- Thirdly, providing advice on the cost efficiency of ever extending trademark protection; some global brands find that they have tens of thousands of trademarks which require huge financial and management support. Trademark counsel working within the brand valuation team help to answer the question of whether this is a value enhancing strategy.

ISO 10668 will help integrate Trademark Counsel into a multi-disciplinary brand management team. Trademark Counsel will no longer be working in their own technical silo.

In my view, ISO 10668 is a major breakthrough which will help further professionalise the business of brand management.

The Implications on Malaysian Brands and their Brand Values in 2012 and Beyond

In 2012 so far, financial analysts continuously predicted when the stock markets would reach an optimal level and the magnitude of their recoveries. Towards the end of 2011, many analysts suggested that markets have recovered and mid to long term economic stability is within sight which is yet to be proven with several indication of prolonged crisis from across various geographies, particularly Europe and the contagion effect of a continued European economic slowdown.

An analysis of the domestic environment suggests that economic prospects will remain under watch for Malaysia for the rest of this year. Malaysia's economy growth is likely to be in 4-5% this year which is lower than the recovery driven 7.2% of 2010 but in line with normal growth levels of 2011. Going forward, however, demand for Malaysia's export products is expected to be weaker in line with the global slowdown of economic activity. Private consumption is expected to receive a boost throughout 2012.

The slower growth reflects the unpredictable global market conditions, particularly continuing weakness and uncertainty in the US, the Euro zone and Japan. This might adversely impact the intangibles in 2012 and beyond.

As monetary brand value is in part a function of financial performance (including revenues achieved and margins commanded) of the associated enterprise, strengthening demand conditions will generally strengthen brand value. Brands with strong value-based positioning will thrive. In times of recovery, we can expect to see companies who continually invested in their brands during the downturn to reap exponential benefits, achieving significant reach and share of voice in the market.

On this note, perhaps the more relevant issue for brand owners is: What should they be doing to continuously capture the economic growth opportunities for a strong and sustained economic recovery? We summarise our perspectives as follows:

■ Invest in Value Drivers

Invest in talented people who will drive innovation that companies can leverage upon to boost your company's value; invest in vital marketing activities (for example, those that drive customer loyalty) and public relations activities to shout out. While some companies have had the foresight to invest in marketing during the downturn, it is important not to be complacent as competition is rising.

■ More deeply understand the drivers of your brand's value.

Quantify the company's brand value, derive insight into the key drivers therein, and connect the organisation's current investments against each driver area. Identify areas of inefficiency in marketing and streamline business development activities. This assessment will provide insight on how to best allocate resources going forward, ensuring the company's competitive advantage.

■ Sharpen the company's brand positioning and key point(s) of difference.

A recessionary climate tends to lay bare undifferentiated brands that deliver questionable value. A meaningful, differentiated positioning preserves profit margins and provides purposeful brand investment.

■ Ensure organisational alignment to support consistent brand delivery.

No significant amount of brand investment — in good times or bad — can be justified if the brand promise is poorly delivered. Seize the opportunity to examine how the company's brand is delivered against all key touch-points and stakeholders, and spearhead initiatives (across the organisation) to address opportunities and gaps in this regard.

■ Internationalise your brand via mergers and acquisitions

Cash rich Singapore companies can increase their value through the acquisition of or joint ventures with foreign companies, which have valuable synergies. Companies that are eligible for IE Singapore's Brandpact scheme can leverage on the available grants for brand developmental efforts.

Explanation of the Methodology

Brand Finance® uses a Discounted Cash Flow (DCF) technique to discount estimated future royalties, at an appropriate discount rate, to arrive at a net present value (NPV) of the trademark and associated intellectual property: the brand value. The steps in this process are:

1. Obtain brand-specific financial and revenue data.

This quantitative data is obtained from Bloomberg, company data sources such as websites and annual reports, investment analyst and industry expert reports, and other publicly available data sources.

2. Determine Market Related Revenue Forecast.

Three forecast periods were used:

- Estimated financial results for 2010 using Institutional Brokers Estimate System (IBES) consensus forecast.
- A five-year forecast period (2011-2015), based on three data sources (IBES, historic growth and GDP growth).
- Perpetuity growth, based on a combination of growth expectations (GDP and IBES).

3. Establish the notional royalty rate for each brand portfolio.

Steps in determining the notional royalty rate are:

- Establish a royalty rate range for each sector. Royalty rate ranges were set for each industry by reference to a review of comparable licensing agreements and industry norms. A review of publicly available licensing agreement indicates the royalty rates set between third parties in arm's length commercial transactions.
- Compare royalty rates with operating margins in the sector. Fundamental profitability in each sector influences the determination of royalty rate ranges. This must be taken into account when determining the royalty rate ranges. A 'Rule of Thumb' exists within the licensing industry ('Rule of 25'), which states that, on average, a licensee should expect to pay between 25% and 40% of its expected profits for access to the licensed intellectual property.

For example, if profit margin is 20%, an appropriate royalty rate should fall between $25\% \times 20\% = 5\%$ and $40\% \times 20\% = 8\%$. The rule is based on heuristic evidence of a relationship between market royalty rates and margins earned in licensee businesses. Royalty rates may be higher or lower than 25% of profits, depending upon a variety of quantitative and qualitative factors that can and do affect commercial negotiations. When determining royalty rate ranges, the '25% rule' is a useful indicator of what an appropriate royalty rate range might be in each sector.

- Establish the appropriate royalty rate within the range for each brand portfolio by calculating brand strength — on a scale of 0 to 100 — according to a number of attributes such as emotional connection, functional performance, and profitability, among others. This is calculated by reference to 'brandbeta®' analysis (see Brand Ratings on next page).

4. Calculate the discount rate specific to each brand, taking account of its size, geographical presence, reputation, gearing and brand rating. The discount rate is calculated using the Weighted Average Cost of Capital (WACC). This takes into account debt costs, equity costs and the debt to equity ratio as well as the brand rating which gives a discount or premium based on the strength of the brand. The principle being that a strong brand should command a lower discount rate in the valuation calculation than a weak one.

5. Discount future royalty stream (explicit forecast and perpetuity periods) to a net present value. The result is the brand value for inclusion in our table. Where enterprise values can be calculated by reference to public market information, the brand value is expressed as a percentage of Enterprise Value.

Brand Ratings

These are calculated using Brand Finance®'s β BrandBeta® analysis, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating.

A Brand Rating:

- Quantifies the strength and performance of the brand being valued.
- Provides an indication of the risk attached to future earnings of the brand.

The data used to calculate the ratings comes from various sources including Bloomberg, annual reports and Brand Finance® research.

Brand Rating Definitions

RATING	DEFINITION
AAA	Extremely Strong
AA	Very Strong
A	Strong
BBB-B	Average
CCC-C	Weak
DDD-D	Failing

The ratings from AA to CCC can be altered by including a plus (+) or minus (-) sign to show their more detailed positioning in comparison with the general rating group.

Valuation Date

All brand values in the report are for the end of the year, 31st December 2011.

Where do the Figures Come From?

Brands are the single most valuable intangible assets in business today. They drive demand, motivate staff, secure business partners and reassure financial markets. Leading-edge organisations recognise the need to understand brand equity and brand value when making strategic decisions. But brand valuation is being brought into disrepute by the wide discrepancies in value ascribed to the same brands by different valuation consultancies. What's needed to rebuild confidence, says Brand Finance® plc CEO **David Haigh**, is more transparent brand valuation methods and assumptions — and greater independence and objectivity by the valuation firms.

As the world economy enters an increasingly troubled period, financial markets are feeling the impact of continuing economic crises in Europe, political deadlock in America, and fears of a slowdown in Asia.

To measure the impact that the double-dip recession has had on the value of global brands this year, Brand Finance® published a report in September that measured the change in brand value of the top 100 brands in the world (as identified in our January 2011 Brand Finance® Global 500 report). Brand Finance® used the Royalty Relief method to determine the value of these brands.

Unsurprisingly, brand values fell during 2011, but not as dramatically as might have been expected. Indeed, most of the revalued brands appear to be riding out the recession. The most obvious reason for this resilience is that the top 100 brands are, by definition, the strongest in the world. Brand equity and customer loyalty built up over years serve them well in difficult times as customers seek the reassurance of brands they know and trust.

Nevertheless, there were some interesting changes in both brand value and league table position between January and September. One of the most notable examples was Apple, which jumped from eighth to second

place with a rise in brand value of 33% (US\$10 billion) to US\$39.3 billion. There are a number of reasons for this, not least bumper revenues from the launch of the iPhone 4 and iPads 1 and 2.

Apple has always been an innovative brand noted for a combination of high quality design, functionality, utility and luxury that has won devoted fans the world over. Apple's brand value has consequently grown year by year. The death of Steve Jobs may reduce its brand value in the near future. So far customers have proved exceptionally loyal, but without its visionary and inspirational founder at the helm many worry about Apple's future prospects in a highly competitive industry.











But while Apple's US\$10 billion rise in value in the space of nine months is understandable, far more difficult to explain is the considerable difference in value ascribed to the brand by Interbrand and Millward Brown. Interbrand values the Apple brand at US\$33.5 billion in its October Best Global Brands 2011 league table, but Millward Brown's BrandZ Top 100 in July valued the brand at US\$153.3 billion. Such large differences in opinion are curious, yet Apple is not the only brand on which the experts disagree (see chart on facing page).

Why is it that Brand Finance® values Coca-Cola at US\$27 billion while Interbrand values it at nearly US\$72 billion? Why does Interbrand value Google at US\$55 billion while Millward Brown values it at over US\$111 billion?

Such wide discrepancies make public scepticism about the published brand values entirely understandable. Mark Ritson, associate professor of marketing at Melbourne Business School, summed up the problem in a recent Marketing Week column. He wrote: 'The problem is not whether we should value a brand...but rather where the figure comes from.' The problem is compounded, as he pointed out, by the fact that 'most journalists working for the popular press don't really understand brand valuation so they treat any and all approaches with equal attention.'

The primary reasons for the wide differences in brand value are that different consultancies define 'brand' differently, and use different valuation methodologies and key assumptions.

(1) Asset definition. In accordance with technical valuation practice Brand Finance® defines 'brand' in its published league tables as 'Trademarks and associated Intellectual Property (IP)'. Neither Millward Brown nor Interbrand clearly state how they define 'brands' for

BRAND		BRAND VAL (Sept 2011)	MARKET CAP (Sept 2011)	BRAND VAL/ MKT CAP (%)
Coca-Cola		27	71.9	73.8
IBM		36	69.9	100.8
Microsoft		39	59.1	78.2
Google		48.3	55.3	111.5
General Electric		29.1	42.8	50.3
McDonald's		24.2	35.6	81
Intel		23.5	35.2	13.9
Apple		39.3	33.5	153.3
Walt Disney		15.2	29	17.3
HP		25	28.5	35.4

*Source: Brand Finance®

the purpose of their reports. But in their valuations of Google and Apple, they appear to include a much wider bundle of IP in their definition of brand, something that would inevitably lead to higher brand valuations.

(2) Income recognition. Brand Finance® reviews the financial statements of the companies it values in forensic detail, and includes in the calculations only income specifically earned by the brand. In the case of Coca-Cola, for example, only 50% of the company's total turnover is represented by the Coca-Cola brand itself. The rest comes from other brands such as Fanta, Sprite and Desani, whose turnover Brand Finance® excludes from the calculation. This inevitably leads to a lower valuation than those of Interbrand and Millward Brown, if these two firms are, indeed, including the additional turnover.

(3) Different valuation methods. Brand Finance® uses a valuation technique known as Royalty Relief, which is by far the most widely recognised approach to brand valuation among auditors, accountants, lawyers, courts, banks and tax authorities. It considers the market rate companies would pay to license their brand if they did not own it. Such corporate royalty charges are applied to

turnover to produce a stream of notional 'brand earnings', which are discounted back to a net present value.

By contrast, Interbrand and Millward Brown determine the proportion of earnings attributable to a brand using a less transparent research 'drivers analysis', which often seems to result in much higher brand values.

(4) Different valuation dates.

Brand Finance® valuations usually have a value date of 1st January each year although the September update had a 1st July value date. Interbrand and Millward Brown valuations come out at different times of the year. If market conditions have changed significantly between the different valuation dates, this can sometimes account for discrepancies in brand valuations.

However, despite these different approaches, so long as brand valuation calculations are transparent then interested parties can understand how valuation opinions were arrived at, allowing them to challenge them or to draw conclusions about the action required to enhance value. Users of valuation reports need to understand the drivers of brand value so that they can manage their brands more effectively,

or in the case of investors or other interested parties, gain a more meaningful picture of how a particular brand is doing.

Against this background, Brand Finance® has analysed the total amount of intangible value of the top ten branded companies in the world to provide a sense check between total marketing-related intangible assets and the brand values published by Brand Finance®, Interbrand and Millward Brown.

The need for transparency

Brand valuations are no different from the valuation of buildings, equipment, pension assets and liabilities, shares, bonds, patents, art, wine and many other assets. If you ask two expert valuers for an asset valuation opinion in any asset class you will inevitably get different answers. Even if they use identical methods and similar assumptions they may come to different conclusions. However, if the calculations are entirely transparent it is possible to form a balanced view on the validity of the valuer's opinion. It also helps to know that the valuer reached their opinion independently and objectively. Why might the valuer's independence be compromised?

There are five professionally recognised threats to independence.

(1) Self-interest — having an interest in the outcome of the brand valuation.

(2) Self-review — both creating the asset and forming a valuation opinion on it.

(3) Advocacy — compromising an arm's length opinion to promote the client's interests.

(4) Familiarity — becoming too familiar with the management of the company under review.

(5) Intimidation — letting commercial or other threats affect the result of the brand valuation.

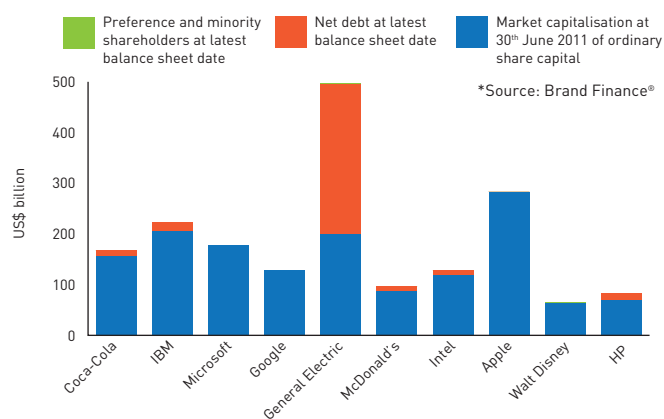
In the 1980s and 1990s such threats led accountancy bodies and regulators to discourage audit firms from providing consulting and valuation services to their audit clients. We believe the same restriction should apply to the valuation of brands by companies whose primary role is to build them.

Unfortunately, Interbrand and Millward Brown are both wholly-owned subsidiaries of marketing services giants (Omnicom and WPP respectively), which make millions of dollars building the very brands their subsidiaries then value. Indeed, Interbrand's strapline is 'Creating and managing brand value'.

There is a strong and growing body of opinion that it is impossible for a consultancy to provide genuinely independent brand valuation opinions on brands that they, or their parent company, built in the first place. To this end Brand Finance® plc has launched the Campaign for Independent Brand Valuation, which promotes strict guidelines on the conduct of brand valuers to avoid actual and perceived threats to their independent judgement.

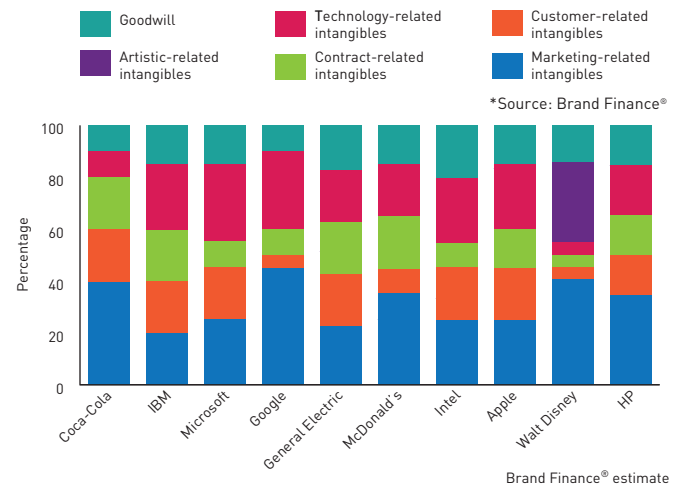
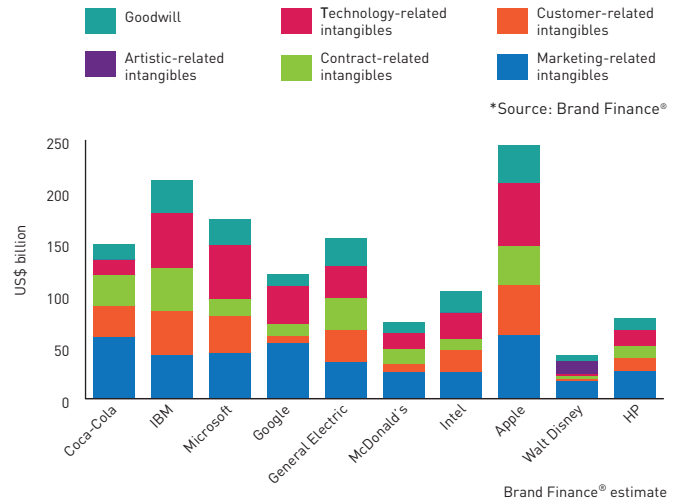
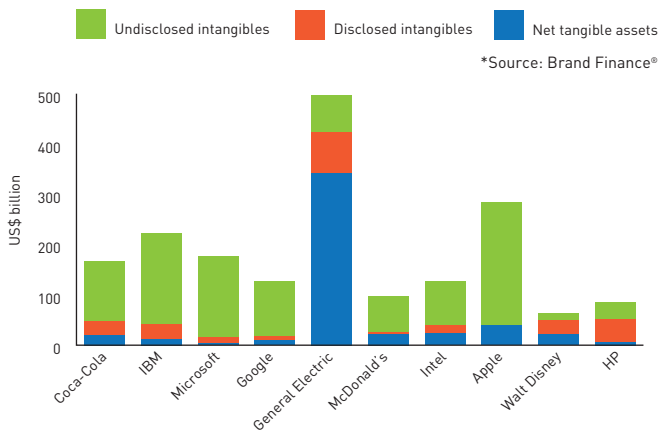
Why are published brand valuation opinions so different?

The following series of charts explains how Brand Finance® cross checks the sense of calculated brand values for a selection of top global companies, as produced by Brand Finance®, Interbrand and Millward Brown.



Stage 1: Calculating Enterprise Value

First Brand Finance® calculated each company's Enterprise Value by adding market capitalisation on 30th June 2011 to the debt recorded in the balance sheet on that date. The sum of shareholders' equity and debt is generally deemed by corporate financiers to be the 'financing' side of the balance sheet. The sum of these is the Enterprise Value, which is represented by tangible and intangible assets of all kinds.



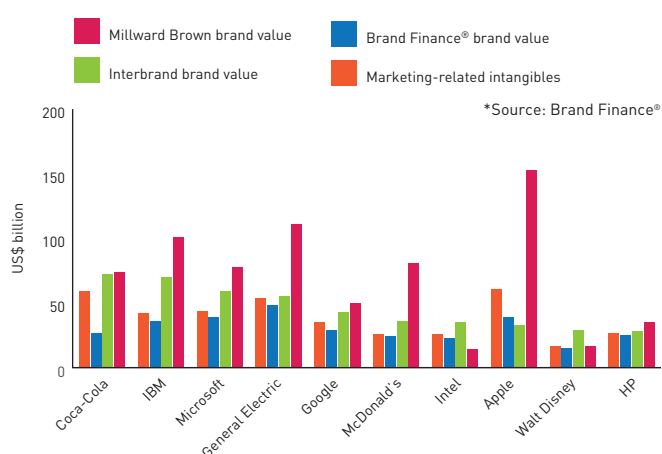
Stage 2: Allocating Enterprise Value between tangible and intangible assets

Next, Brand Finance® allocated the Enterprise Value of each company between asset classes as at 30th June 2011. There are three classes of assets: tangible assets, disclosed intangible assets (those intangible assets appearing in balance sheets following acquisition) and undisclosed intangible assets (the remaining intangible asset value attributed to the company by investors in the marketplace).

Stage 3: Apportioning intangible assets into key intangible asset classes (absolute values US\$bn and %)

Brand Finance® then apportioned the total intangible value between intangible asset classes defined by the International Financial Reporting Standards 3 (IFRS 3). Brand Finance® does this in both absolute values terms and in percentage terms. This is a Brand Finance® estimate based on its extensive experience of technical valuations in each sector. In its experience, and based on reported IFRS 3 decisions, it is uncommon for trademarks and associated IP to exceed 30 to 40% of total intangible asset value.

'Threats [to independence] led accountancy bodies and regulators to discourage audit firms from providing consulting and valuation services to their audit clients. We believe the same restriction should apply to the valuation of brands by companies whose primary role is to build them'



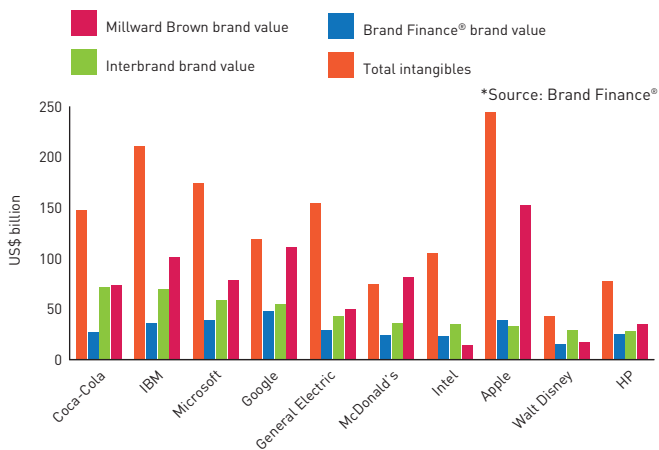
Stage 4: Comparison of brand value with marketing-related intangibles (graph and table)

Finally, Brand Finance® compared its estimates of brand value with the total marketing-related intangibles of the company. This graph compares the value of marketing-related intangibles with the brand values published by Brand Finance®, Interbrand and Millward Brown in 2011.

In the case of Coca-Cola, total marketing-related intangibles should be significantly higher than the value of the Coca-Cola brand alone because the Coca-Cola Corporation owns many brands (Fanta, Sprite, Desani and so on) in addition to Coke. In every case, brand values should be lower than total marketing-related intangibles, as brand value is just one marketing-related intangible. But with just two exceptions, Apple (Interbrand) and Intel (Millward Brown), our competitors calculated brand values that exceed the value of the total marketing-related intangibles in those companies as calculated by Brand Finance®.

	MARKETING RELATED INTANGIBLES (MRI) IN US\$bn	BRAND FINANCE BRAND VALUE (US\$bn)	BRAND VALUE AS A % OF MRI	INTERBRAND BRAND VALUE (US\$bn)	BRAND VALUE AS A % OF MRI	MILLWARD BROWN BRAND VALUE (US\$bn)	BRAND VALUE AS A % OF MRI
Coca-Cola	59.4	26.99	45%	71.9	121%	73.8	124%
IBM	42.1	35.98	85%	69.9	166%	100.8	239%
Microsoft	43.5	39.01	90%	59.1	136%	78.2	180%
Google	53.8	48.28	90%	55.3	103%	111.5	207%
General Electric	34.7	29.06	84%	42.8	123%	50.3	145%
McDonald's	26.2	24.21	93%	35.6	136%	81	310%
Intel	26.2	23.49	90%	35.2	134%	13.9	53%
Apple	60.9	39.3	65%	33.5	55%	153.3	252%
Walt Disney	17.3	15.24	88%	29	168%	17.3	100%
HP	27	24.99	93%	28.5	106%	35.4	131%

*Source: Brand Finance®



STAGE 5: Comparison of brand values with total intangible assets (graph and table)

In all cases total intangible asset values exceed the calculated brand values of all three consultancies. This is to be expected given that the brand is only one of many hugely valuable intangibles. However, the discrepancies between the proportion of total intangibles accounted for by brands varies widely between different consultancies.

	TOTAL INTANGIBLES	BRAND FINANCE BRAND VALUE (US\$bn)	BRAND VALUE AS A % OF TOTAL INTANGIBLES	INTERBRAND BRAND VALUE (US\$bn)	BRAND VALUE AS A % OF TOTAL INTANGIBLES	MILLWARD BROWN BRAND VALUE (US\$bn)	BRAND VALUE AS A % OF TOTAL INTANGIBLES
Coca-Cola	148.4	26.99	18%	71.9	48%	73.8	50%
IBM	42.1	35.98	85%	69.9	166%	100.8	239%
Microsoft	43.5	39.01	90%	59.1	136%	78.2	180%
Google	53.8	48.28	90%	55.3	103%	111.5	207%
General Electric	34.7	29.06	84%	42.8	123%	50.3	145%
McDonald's	26.2	24.21	93%	35.6	136%	81	310%
Intel	26.2	23.49	90%	35.2	134%	13.9	53%
Apple	60.9	39.3	65%	33.5	55%	153.3	252%
Walt Disney	17.3	15.24	88%	29	168%	17.3	100%
HP	27	24.99	93%	28.5	106%	35.4	131%

*Source: Brand Finance®

Keeping A Good Name

A company's brand and reputation are invaluable assets and need to be guarded carefully, particularly in a volatile business climate. Boards must go beyond lip service and establish robust governance processes for their corporate brands, says Brand Finance® managing director **David Hensley**

'Our brand has little impact on our numbers; it's our distribution channels that make the difference.' Senior executive in an insurance company 2011

'We leave it for the experts in our marketing team and our advertising agency to manage our brand.' Senior banker 2011

These views are no longer as common as they were a few years ago — or at least the first one isn't. Most CEOs and CFOs would be able to at least pay lip service to the idea that the brand is one of their most valuable assets. Given the publicity that annual brand-value league tables have enjoyed in various business publications over recent years, that's not surprising. Brand Finance®'s most recent Global 100 brand league table was picked up in 749 different publications around the world in the first week after it was launched.

But the second quote remains true for many organisations. Brand management is typically a function that sits in marketing, or marketing communications, or, less frequently, public affairs.

We believe that the corporate brand is too important to be delegated down the organisation. The corporate brand reputation doesn't help to attract just customers, but employees, business partners and investors too. It affects all parts of the business.

Similarly, the brand's reputation is the product of more than just marketing communications. Actions by any part of the business can help to grow — or destroy — corporate brand reputation. In an age where reputation is increasingly

influenced by recommendations and revelations in social media, every action or comment by an employee, whether in the call centre or the pub, can potentially increase or destroy brand value. If all of these actions and communications are co-ordinated you can build a strong, coherent brand reputation they aren't, then your brand image will be fragmented, inconsistent and at risk.

Brand equity is the set of perceptions that sit in people's minds about the brand, perceptions that affect their attitudes and behaviours. Whether someone chooses to buy your product or service rather than a competitor's, or to invest in your shares, or to come and work for you, is in part determined by their concept of your corporate brand. Is your company seen as a reliable, or innovative, or friendly, or low-cost sort of organisation?

The corporate brand may be worth millions, if not billions, of pounds, Euros or dollars. Brand value typically amounts to between 10% and 30% of market capitalisation, but can be more for extremely strong brands. (See Chart 1 overleaf). The brand asset is a trademark, which must be protected and has real value — it could be licensed out or sold. This value can today be calculated by reliable methods. Brand valuation may have been a mixture of art and imagination two or three decades ago, but now it is a matter of science and accounting, enshrined in international valuation standards: there is even an ISO standard, ISO 10668, just for brand valuation methodology. Indeed such financial valuation is now required for the accounting of acquisitions. In future we

Brand Equity

In our brand valuations, brand equity is one of the elements of brand strength. We measure brand equity by analysing a combination of factors, including the following.

- **Function** — people's perceptions of how good the branded products and services are.
- **Emotion** — how people feel about the brand. We gauge this from research into the image attributes of the brand versus its competitors, assessing these against driver analysis of the attributes most strongly associated with purchase in the category.
- **Conduct** — how well the organisation is seen to be behaving on, for example, environmental, social and governance factors.
- **Loyalty** — how loyal customers are and the net promoter scores.

We analyse each of these factors by reviewing the most comparable market research available to score the brand relative to its peers and competitors. Our brand strength index then combines these with measures of the perceived corporate brand security/risk, and measures of the impact of the brand such as margins and forecast revenue growth.

foresee shareholders demanding to see the brand value published as part of the accounts, and movements in its value explained.

The brand has value because of its impact on the three drivers of corporate value — revenues, costs and risk.

Brand impact on revenues

A strong brand affects revenues.

(1) It increases people's propensity to purchase

the products and services associated with it — either because it stands for superior or more reliable quality and so simplifies their rational decision-making, or because they feel some personal emotional attachment to it.

(2) It increases people's willingness to pay a premium

for these products and services. They see the brand as a proxy for quality, and assume associated products and services will therefore be functionally superior. Some also believe they derive some personal 'self-expressive' value from their association with the brand — they feel other people will see them as better or smarter or part of a specific group.

(3) It increases people's readiness to try and to buy new products and services.

As such it facilitates successful innovation and growth. Innovation is a safer bet for strong brands like Apple, which can expect to get far greater day one and quarter one sales for an innovative new product, than it is for a company with an unknown or untrusted brand.

Brand impact on costs

A strong brand can reduce costs, relative to the competition.











(1) It increases loyalty, reducing customer churn and, in turn, the cost of acquiring new customers.

(2) It makes it easier to get into distribution channels: you have to pay less of a premium to win a store listing.

(3) It can also reduce staff costs.

The kudos of working for a strong brand means such brands often have to pay less than their weaker competitors to attract good people.

CHART 1: BRAND VALUE AS A PERCENTAGE OF MARKET CAPITALISATION (US\$)

BRAND		BRAND VAL (Sept 2011)	MARKET CAP (Sept 2011)	BRAND VAL/ MKT CAP (%)
Google		48,278	166,075	29%
Apple		39,301	353,518	11%
Microsoft		39,005	208,535	19%
IBM		35,981	208,843	17%
Wal-Mart		34,997	178,880	20%
Vodafone		30,740	131,784	23%
General Electric		29,060	161,337	18%
Toyota		28,800	120,148	24%
AT&T		28,354	169,010	17%
HSBC		27,100	138,767	20%

*Source: Brand Finance®

So a strong brand can save costs in operations and HR as well as in marketing and sales.

Brand impact on risk

A strong brand, loved by its customers, also reduces risk and increases the security of future income streams. Strong brands, such as Apple or Accenture, can more easily survive a product failure (iPhone 4 reception problems) or a brand endorsement that loses favour (Tiger Woods) than a weaker brand. Weaker brands experiencing such problems are less quickly forgiven: reputational damage can be more severe and harder to overcome, as some people will see the problem as indicative of the character of the brand, rather than — as is the case with stronger brands — an uncharacteristic mistake.

Research by Jennifer Aaker and colleagues¹ has shown that the level of forgiveness also depends on what sort of image the brand has. People are more likely to forgive transgressions such as service failure by a brand that is youthful and fun than they are those by a brand that has built its reputation on its professional processes.

So a strong, trusted brand is less susceptible to reputational risk, and should therefore expect to have a more secure future cashflow and a lower beta than weaker brands.

But even strong brands are not immune to reputation crises. Toyota, which had spent many years establishing 'quality, durability and reliability' as its core brand attributes, suffered enormously when reports filled the news across the globe that its cars were capable of unintended acceleration and failing to slow down when the drivers were trying to brake. Toyota implemented a major vehicle recall to make a mechanical modification to the accelerator pedal, and a software update to the braking system.

Over time, having diligently followed up every claim of braking failure or unintended acceleration, they found there was not a single case in the USA that could be proved to be down to the failure of the car's electronic throttle control system.

Various other factors were discovered, such as the habit of some American drivers to replace their floor mats each year, placing new ones on top of the old,

The Brand Governance Process

How should organisations manage their corporate brand and reputation? There is no most important to your boards? one right way. HSBC, Apple and Google are all extremely successful in managing their brands, but their processes are as individual as their cultures.

However, there are some basic principles for good brand governance, and these serve as a useful checklist that CEOs, CFOs and non-executive directors can use to ask how well the brand is being managed in their organisations.

Know the brand's value and what drives it. Understand this at a detailed level, including what factors drive the brand value and how that varies across different customer segments, different geographies and different products and services. Establish a monitoring and reporting system so that the board has regular — say quarterly — updates on how the brand value is growing — or not. It is also useful to show leading indicators, such as social media tracking and net promoter scores, as these will be indicative of future brand value movements.

Ensure that this knowledge is being applied to corporate strategy. It should inform decisions on where to invest in growing the brand, where to milk the brand to maximise the return on this important asset, and where to divest or bring in a partner because the brand does not provide a strong enough platform to build the business on.

Incentivise senior executives and the board to grow the value of the brand. Include brand value growth and relative brand value performance in performance objectives or as a vesting criterion in a long-term incentive plan.

until the pile of carpet could catch the accelerator pedal, but these were hardly Toyota's fault. Its reputation as a producer of high quality cars is restored, but it will never recover the sales it lost when the issue was front-page news.

A recent study by EisnerAmper² into the attitudes of boards of directors to risk showed that boards rank reputational risk second only to financial risk: 69 per cent of them identified reputational risk as their primary concern (after financial risk).

However, most boards that we talk to still don't have integrated measures to track their corporate reputations and brand value on anything more than an annual basis. In today's economically pressurised times, with public scrutiny at higher levels than ever, it is surprising that the corporate governance of brand value is not a greater priority for activist investors.

True, there are some leading global organisations that pay great attention to their brand. HSBC, the world's most valuable banking brand, according to the September 2011 Brand Finance[®] Global 100 league table, is a prime example: the bank even includes brand equity as an element in its senior executives' long-term incentive plan.

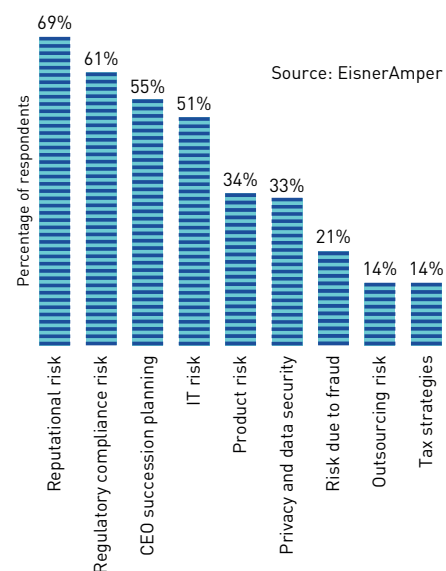
But there are many others that don't. Indeed, a European insurance company told me recently that it wanted to use its brand value ranking — but purely for public affairs purposes, not as part of its management process.

If brand management and governance is so important and straightforward, why don't all companies do it? There are three typical reasons.

(1) It is judged 'too difficult'. Companies aren't aware that brand value can be measured objectively and by

CHART 2: PERCEIVED RISK

Aside from financial risk, which of the following areas of risk management are most important to your boards?



internationally recognised standards that will stand up in a court of law.

(2) Many think it is 'unimportant'. They may not appreciate that brands are often more important in business-to-business than consumer markets.

(3) They think they already do it. But most actually only monitor brand value in public affairs for publicity rather than management reasons, and don't see the brand as an essential part of good corporate governance.

But if they don't have an explicit brand value governance process, what will they say to the investors when the next reputational crisis hits their share price?

¹ Aaker, Fourie and Brasel, 'When Good Brands Turn Bad', Centre for Responsible Business, UC Berkeley, 2008

² EisnerAmper Second Annual Board of Directors Survey, 'Concerns about Risks Confronting Boards', May 2011.

Glossary

Brand

Trademarks and trademark licenses together with associated goodwill.

BrandBeta®

Brand Finance®'s proprietary method for determining the strength, risk and future potential of a brand relative to its competitor set.

Branded Business

The whole business trading under a particular brand or portfolio of brands, the associated goodwill and all the intangible elements at work within the business.

Brand Rating

A summary opinion, similar to a credit rating, on a brand based on its strength as measured by Brand Finance®'s 'Brand Strength Index'.

Brand Value

The net present value of the estimated future cash flows attributable to the brand (see Methodology section for more detail).

Discounted Cash Flow (DCF)

A method of evaluating an asset value by estimating future cash flows and taking into consideration the time value of money and risk attributed to the future cash flows.

Discount Rate

The interest rate used in discounting future cash flows.

Enterprise Value

The combined market value of the equity and debt of a business less cash and cash equivalents.

Fair Market Value (FMV)

The price at which a business or assets would change hands between a willing buyer and a willing seller, neither of whom are under compulsion to buy or sell and both having reasonable knowledge of all relevant facts at the time.

Holding Company

A company controlling management and operations in another company or group of other companies.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Net Present Value (NPV)

The present value of an asset's net cash flows (minus any initial investment).

Tangible Value

The fair market value of the monetary and physical assets of a business.

Weighted Average Cost of Capital (WACC)

An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds, and other debts, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure.

Bridging the gap between
marketing and finance™



At Brand Finance® we focus on measuring companies' intangible value and on helping them to grow it.

Our services complement and support each other, resulting in robust valuations underpinned by an in-depth understanding of revenue drivers and licensing practice.

Valuation | Analytics | Strategy | Transactions

Brand Finance plc, the world's leading independent brand valuation and strategy consultancy, has a global footprint with over 15 offices worldwide.

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www.brandfinanceforum.com



About Brand Finance®

Brand Finance® is the world's leading independent brand and intangible asset valuation firm. We advise organisations across a wide range of sectors on how to maximise shareholder value through effective management of their intangible assets. Headquartered in London, Brand Finance® was founded in 1996 and now has offices in eighteen countries.

Our services complement and support each other, resulting in an in-depth understanding of intangible assets from financial, consumer and commercial perspectives:

- Valuation:** We are an international leader in the field of intangible asset valuation and transfer pricing.
- purchase price allocations and impairment reviews
 - financial reporting
 - transfer pricing
 - litigation
- Analytics:** We help companies quantify the return on marketing investment and track brand performance.
- brand investment dashboards
 - return on marketing investment
 - marketing mix modelling
 - benchmarking
- Strategy:** We use value-based management and marketing tools to enable management to allocate resources to activities that create the most value.
- scenario modelling and valuation
 - brand architecture
 - resource allocation and budget setting
 - portfolio evaluation and strategy
- Transactions:** We help clients extract value from their intellectual property through transactions.
- intellectual property and brand due diligence
 - intellectual property structuring
 - licensing
 - joint venture, mergers, acquisitions, investment and divestment decisions

Brand Finance® has worked with many of the world's leading brand owners and branded enterprises. We also advise private equity companies, investment banks, intellectual property lawyers, and tax authorities.

Contact Details

Brand Finance® is the leading independent intangible asset valuation and strategy firm, helping companies to manage their brands more intelligently for improved business results.

If you have further enquiries relating to this report or would like our assistance in articulating the study findings for your corporate communications, please contact:



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About Ova™

Ova™ is the strategic partner of Brand Finance® in Malaysia. A 100% Malaysian brand consultancy, we opened our doors for business in September 2003. Since our inception, Ova™ has involved itself in the various disciplines of branding for several B2B and B2C clients with domestic, regional and international business footprints.

Ova™ offers integrated brand solutions spanning research, strategy, architecture, design and implementation for corporate, product and service brands. Our current client portfolio includes, among others, a number of Malaysia's blue-chip brands such as Petronas, TM, Khazanah Nasional, Etiqa and Scomi.

Our past affiliation with the world's largest and longest established brand consultancy was a mutually rewarding experience, with Ova™ offering local insights combined with international expertise. The relationship allowed us to supplement our brand experience and work independently on several projects.

Ova™ is committed to working collaboratively with our clients in analysing, innovating and synergising their brands.

▪ **Best Local Brand Consultancy of the Year (2012)**

▪ **Best Brand Consultancy of the Year (2012)**

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See that little egg below? It tells our story.

Great brands are about long-term relationships. They are fought for and bought into. They are loved and forgiven their mistakes. In going beyond function, they touch our core, profiting the human spirit and the brand owner. Properly cared for, they exceed human lifetimes. Too often though, they are sacrificed at the altar of short-term gains.

Ova is inspired by the story of the goose that laid the golden eggs. The moral being, a brand that is not victim to hasty profit continues to be a wealth creator.



ova™ a Spiral Effect brand

