



Food & Beverage 2017

The annual report on the world's most valuable food and beverage brands
March 2017

Foreword



David Haigh, CEO, Brand Finance

What is the purpose of a strong brand; to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’.

Huge investments are made in the design, launch and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place it frequently lacks financial rigour and is heavily reliant on qualitative measures poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Skeptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo may fail to agree necessary investments. What marketing spend there is can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but

steady downward spiral of poor communication, wasted resources and a negative impact on the bottom line.

Brand Finance bridges the gap between the marketing and financial worlds. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

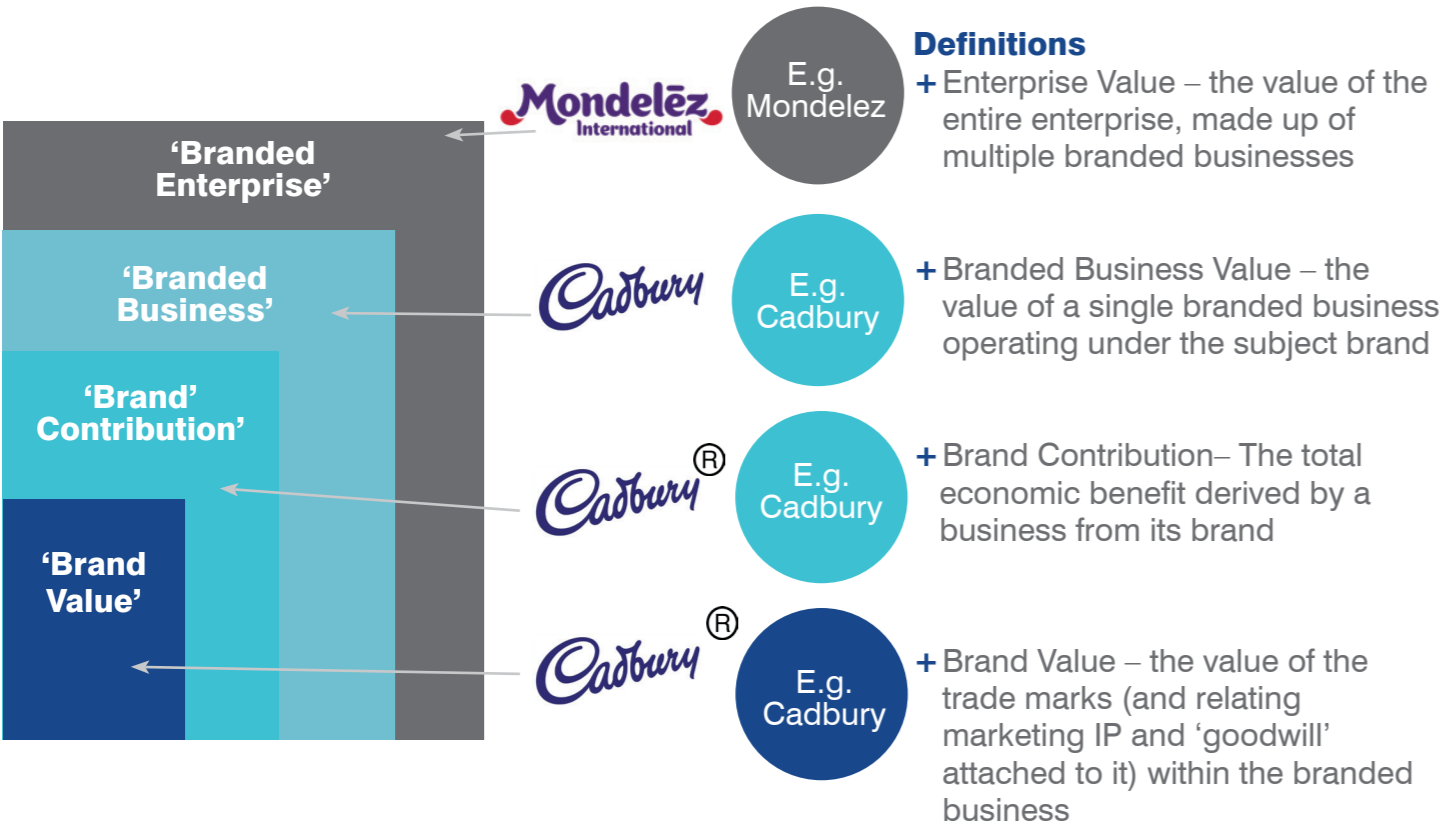
By valuing brands, we provide a mutually intelligible language for marketers and finance teams. Marketers then have the ability to communicate the significance of what they do and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance’s recently conducted share price study revealed the compelling link between strong brands and stock market performance. It was found that investing in the most highly branded companies would lead to a return almost double that of the average for the S&P 500 as a whole. Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business. The team and I look forward to continuing the conversation with you.

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Definitions



Branded Business Value

A brand should be viewed in the context of the business in which it operates. For this reason Brand Finance always conducts a Branded Business Valuation as part of any brand valuation. Where a company has a purely mono-branded architecture, the business value is the same as the overall company value or ‘enterprise value’.

In the more usual situation where a company owns multiple brands, business value refers to the value of the assets and revenue stream of the business line attached to that brand specifically. We evaluate the full brand value chain in order to understand the links between marketing investment, brand tracking data, stakeholder behaviour and business value to maximise the returns business owners can obtain from their brands.

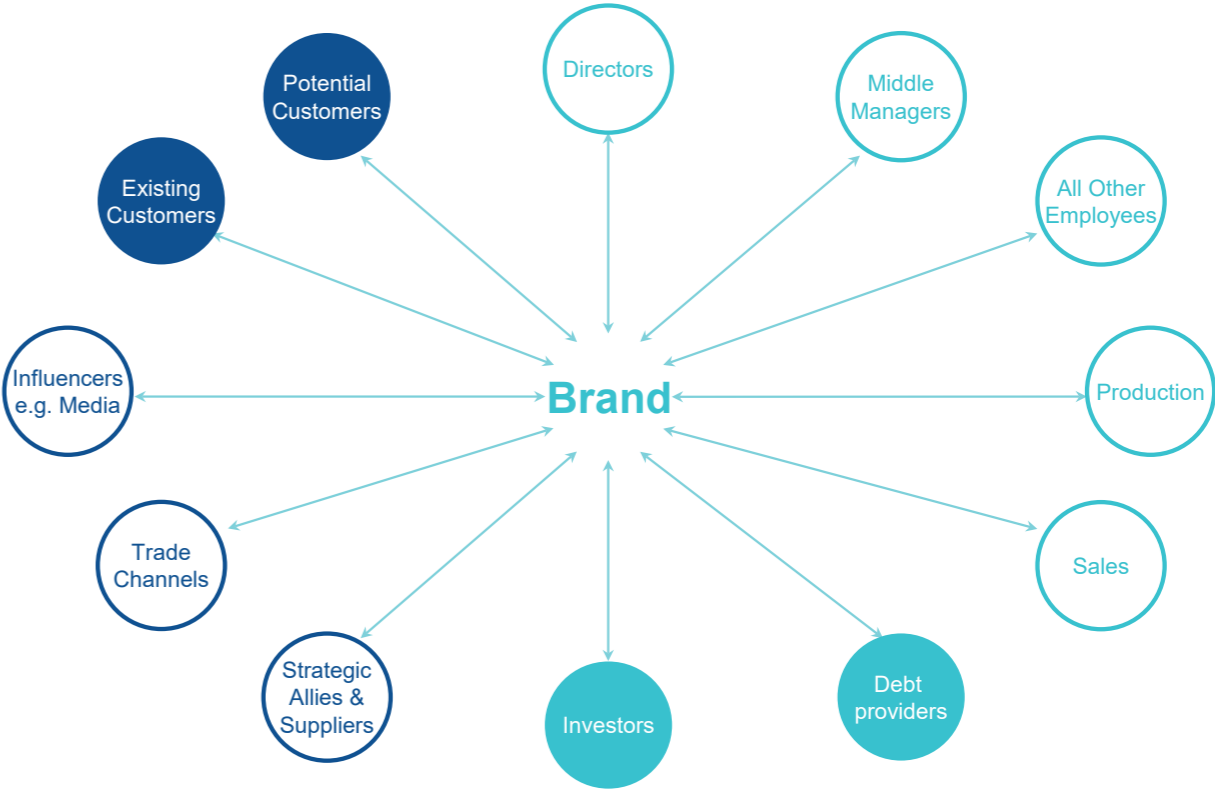
Brand Contribution

The brand values contained in our league tables are those of the potentially transferable brand asset only, but for marketers and managers alike. An assessment of overall brand contribution to a business provides powerful insights to help optimise performance.

Brand Contribution represents the overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

Brands affect a variety of stakeholders, not just customers but also staff, strategic partners, regulators, investors and more, having a significant impact on financial value beyond what can be bought or sold in a transaction.

Effect of a Brand on Stakeholders



Brand Value

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However, when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as “a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value”.

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance.

Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.

Methodology

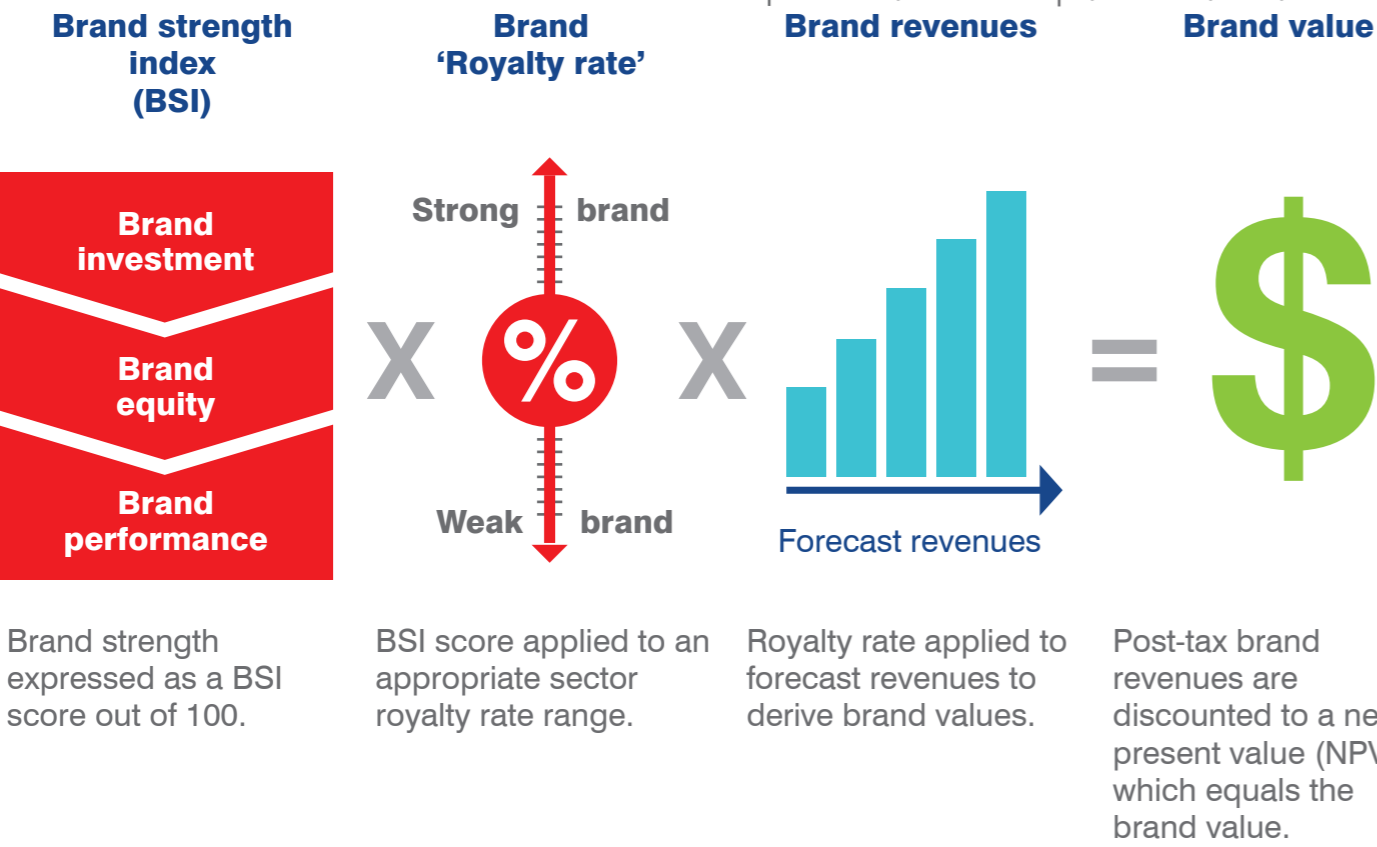
League Table Valuation Methodology

Brand Finance calculates the values of the brands in its league tables using the ‘Royalty Relief approach’. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

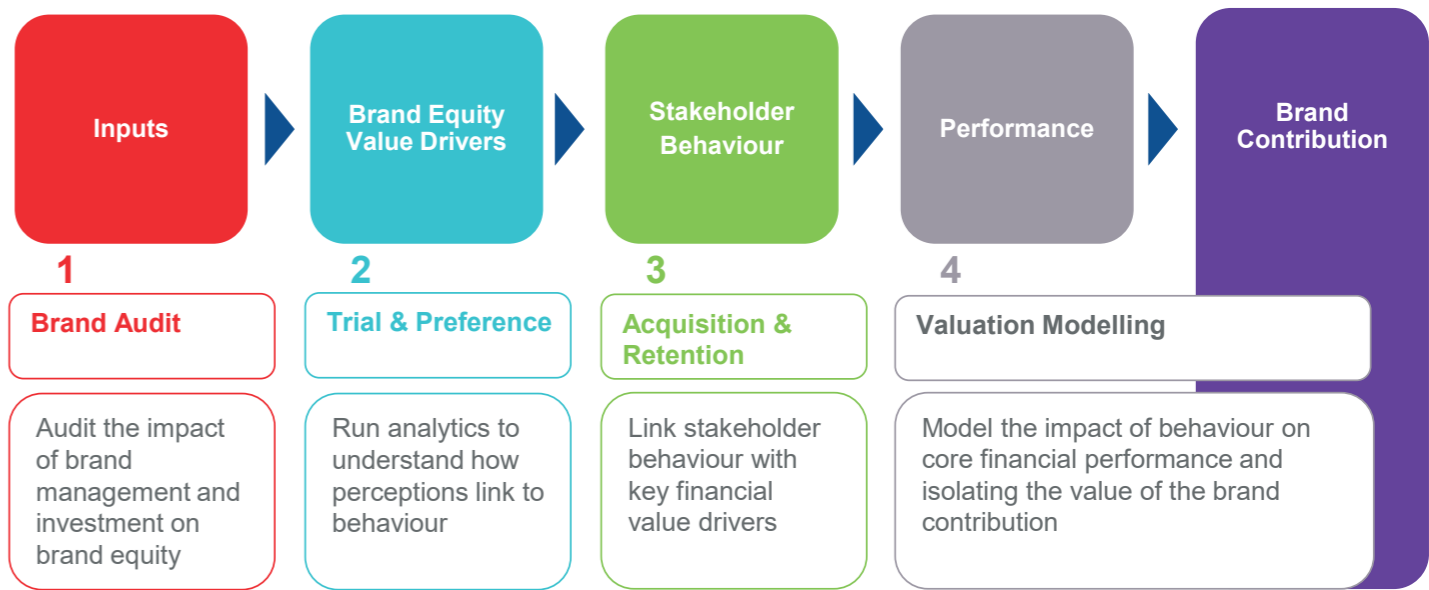
The steps in this process are as follows:

1 Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index, and is calculated using brand data from the BrandAsset® Valuator database, the world’s largest database of brands, which measures brand equity, consideration and emotional imagery attributes to assess brand personality in a category agnostic manner.

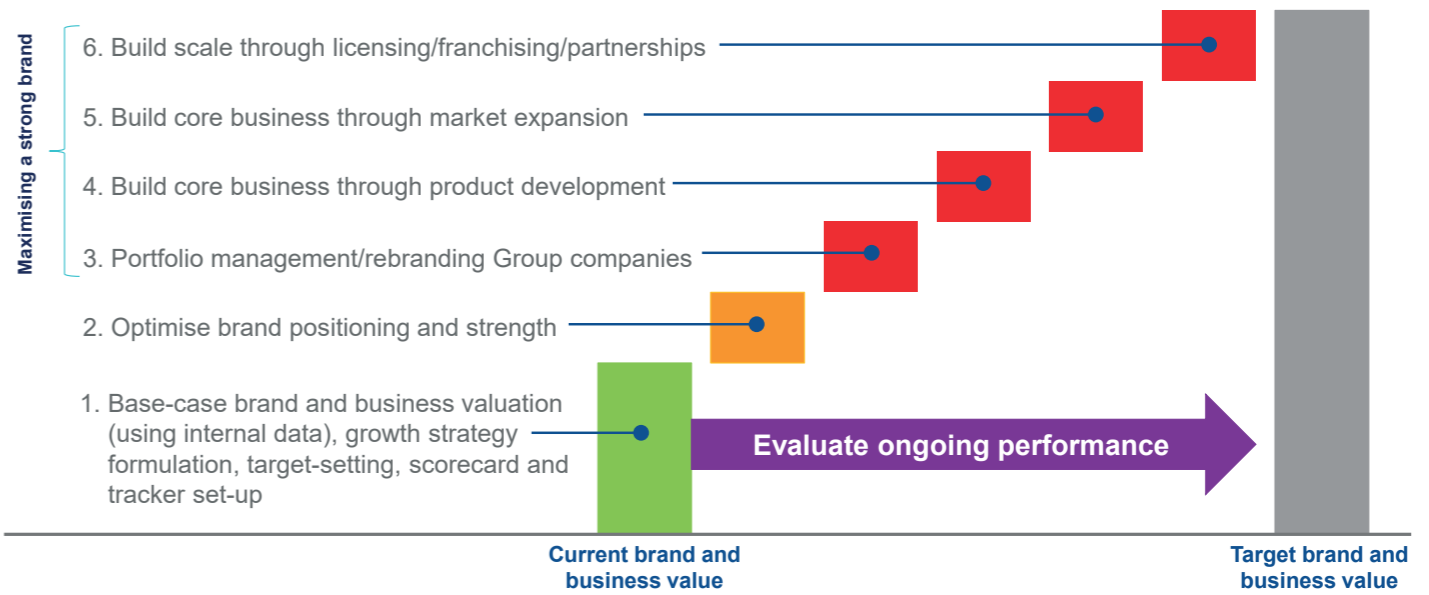
- 2** Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance’s extensive database of license agreements and other online databases.
- 3** Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand’s sector is 1-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4.2%.
- 4** Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.
- 5** Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.
- 6** Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7** Brand revenues are discounted post tax to a net present value which equals the brand value.



Brand Finance Typical Project Approach



How We Help to Maximise Value



Executive Summary

Food 50



Nestle is the world’s most valuable food brand, though there is little cause for celebration as brand value has fallen 17% year on year to US\$19.4 billion. Brand strength is also down, leading to a brand rating downgrade to AAA-.

Nestle has been hit by the pervasive trend for healthier, more natural food, which has reduced demand for Nestle’s crucial confectionary brands. Nestle operates dozens of individual product brands such as KitKat, Butterfinger and Munch, however the Nestle brand acts as an endorser, visible on all packaging. Therefore a decline in these product brands hits the value of the Nestle brand too.





















Other confectionary brands have been hit too, though to a lesser extent, with Kraft, Hershey’s and Mars dropping by 4%, 10% and 14% respectively. Chinese consumers are equally concerned with childhood obesity, hence the

declining revenues (and hence brand values) of snack food manufacturers Want Want and Master Kong. The trend is not universal however, with Cadbury and Ferrero both growing by 24%.

Within the broader food category, dairy is the most significant sub-sector in terms of brand value. Amongst the multi-category giants in the top 20, there are six brands focussed entirely on dairy, with a further six across the rest of the Brand Finance Food 50.

Dairy brands are struggling with constraints to supply, a stagnation of demand in western markets and a new diversity of value drivers, beyond the traditional factors of price and taste. Increasing numbers of consumers are now acutely conscious of production safety, nutritional content and Corporate Social Responsibility.

In this challenging environment, Danone, the

	1 Rank 2017: 1 2016: 1  BV 2017: \$ 19,416m BV 2016: \$ 23,395m -17% Brand Rating: AAA-		6 Rank 2017: 6 2016: 5  BV 2017: \$ 4,925m BV 2016: \$ 4,702m 5% Brand Rating: AA
	2 Rank 2017: 2 2016: 2  BV 2017: \$ 7,894m BV 2016: \$ 8,094m -2% Brand Rating: AA+		7 Rank 2017: 7 2016: 9  BV 2017: \$ 4,294m BV 2016: \$ 4,216m 2% Brand Rating: AAA-
	3 Rank 2017: 3 2016: 3  BV 2017: \$ 7,068m BV 2016: \$ 7,312m -3% Brand Rating: AAA-		8 Rank 2017: 8 2016: 8  BV 2017: \$ 4,290m BV 2016: \$ 4,423m -3% Brand Rating: AA+
	4 Rank 2017: 4 2016: 4  BV 2017: \$ 5,631m BV 2016: \$ 5,865m -4% Brand Rating: AAA-		9 Rank 2017: 9 2016: 11  BV 2017: \$ 4,150m BV 2016: \$ 3,491m +19% Brand Rating: A+
	5 Rank 2017: 5 2016: 7  BV 2017: \$ 5,292m BV 2016: \$ 4,429m +19% Brand Rating: AAA-		10 Rank 2017: 10 2016: 6  BV 2017: \$ 3,874m BV 2016: \$ 4,513m -14% Brand Rating: AAA-

world’s most valuable dairy brand, has seen brand value decline marginally to US\$7.9 billion. Profit forecasts are down and the firm is aiming to cut €1 billion of costs by 2020.

Danone recently announced that it will acquire White Wave, whose portfolio of branded businesses specialises in organics and health-focussed products that command a price premium. The US\$12.5 billion deal (Danone’s biggest in over a decade) reflects the greater complexity of brand drivers that dairy businesses must now tackle.

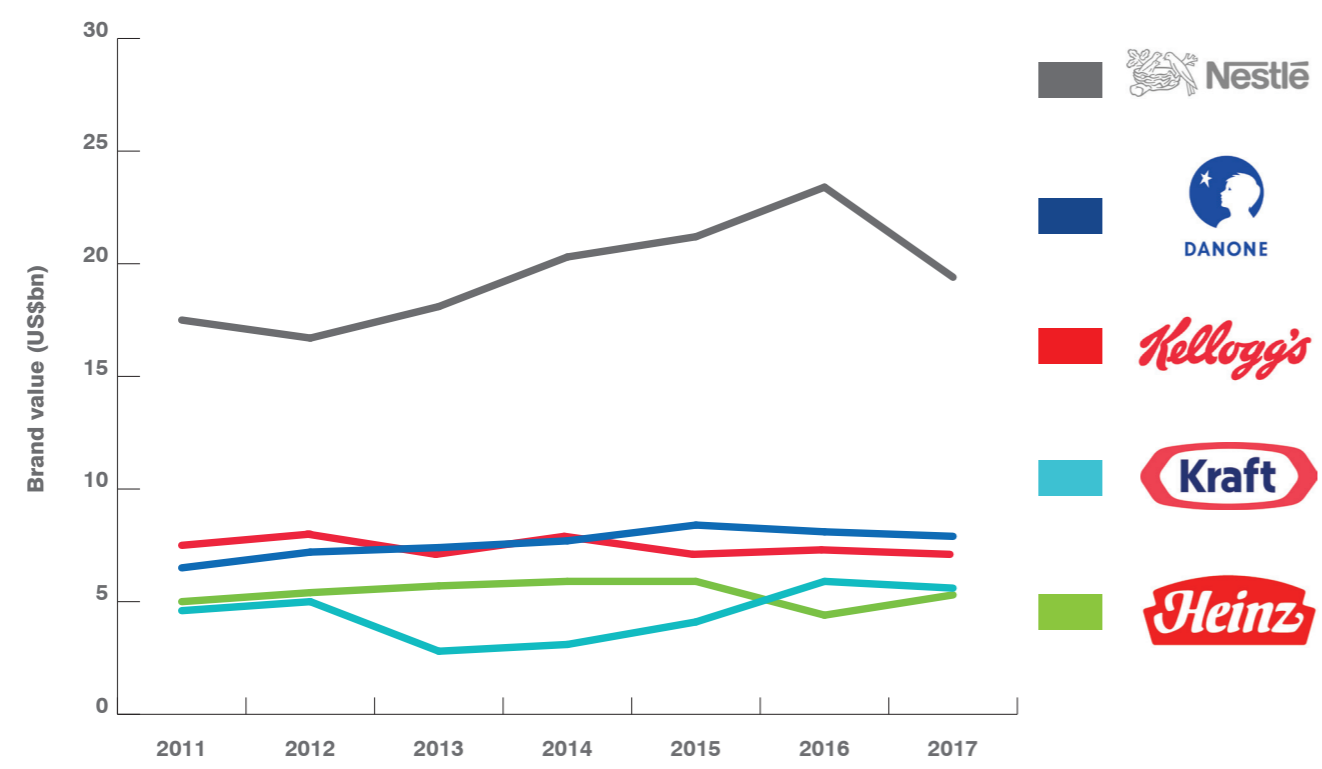
Major Chinese producer, Yili, is in second place and with a BSI score just above 80, is the world’s strongest dairy brand. Yili is barely known in the West, but like many Chinese brands in other industries, has been growing rapidly at home and is starting to make its presence felt. The strength of Yili’s brand is broad-based. It scores highly on



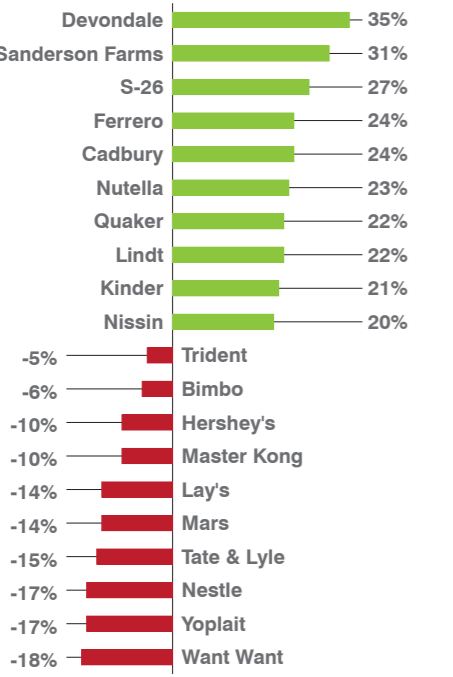
Chinese dairy brand, Yili

Executive Summary

Brand Value Over Time



Brand Value Change 2016-2017 (%)



well-known brand equity measures such as Consideration, Familiarity and Recommendation but scores for brand inputs (which lay the foundations for future growth) are particularly high. Recent marketing initiatives including investment in newer media forms such as live social media programs as well as more traditional methods such as sponsorship; Yili sponsored China's Olympic team for over a decade to 2016. Like Danone, Yili has responded to the diversification of drivers in the dairy market with significant investment in R&D and innovation, yielding products such as Nuan-hong-hong, marketed as a wholesome health drink to young women.

Ten years on from formula milk scandals that severely damaged many local brands, the Chinese dairy market is growing rapidly and trust in domestic producers rebounding. Asia Pacific is






Most Valuable Dairy Brands

	1	Rank 2017: 1 2016: 1  BV 2017: \$ 7,894m BV 2016: \$ 8,094m -2% Brand Rating: AA+
	2	Rank 2017: 2 2016: 2  BV 2017: \$ 4,294m BV 2016: \$ 4,216m +2% Brand Rating: AAA-
	3	Rank 2017: 3 2016: 3  BV 2017: \$ 3,728m BV 2016: \$ 3,742m +0% Brand Rating: A+
	4	Rank 2017: 4 2016: 4  BV 2017: \$ 2,870m +18% BV 2016: \$ 2,438m Brand Rating: AAA-
	5	Rank 2017: 5 2016: 5  BV 2017: \$ 2,593m +12% BV 2016: \$ 2,308m Brand Rating: AA-

predicted to account for 63% of dairy growth in volume terms between 2016 and 2021, so Yili has significant scope for brand and business value growth. This is reflected in its high Brand Output scores, which include financial metrics such as expected margins.

Dairy is also the source of this year's fastest growing brand, Devondale. Devondale is Australia's largest dairy brand by far, but like Yili, its growth is the result of changing consumer tastes and growing demand in Asia, particularly ASEAN. Devondale is up 35% year on year to US\$1.5 billion. It is useful to look not just at the values of a specific brand but also the combined values of all brands owned by a corporate organisation. This emphasises that brands are assets of a larger enterprise to be used to maximise business value. It also levels the playing field, in that companies that employ a mono-brand

Strongest Dairy Brands

	BSI Score 80.2
	BSI Score 79.7
	BSI Score 79.4
	BSI Score 76.3
	BSI Score 74.5

structure frequently see brands bearing their company name performing well in brand value league tables. Meanwhile, companies with a diverse, house of brands portfolio (which may be by far the most effective strategy for their circumstances) do not receive the commensurate prestige. Comparing portfolio values rather than individual brand values in this way reveals some interesting shifts in ranking and hidden brand powerhouses.

Looking at the league table of the most valuable food brand portfolios (page 13 of this report), the scale of Mondelez, General Mills and Associated British Foods' becomes apparent. Wilmar, the Singapore-listed ingredient and oil producer, is the only non-Western brand on the list. Wilmar aims to control its entire value chain, from plantation through harvesting to refining and even shipping. This has enabled it to efficiently and

Executive Summary



Most Valuable Food Brand Portfolios

	1	Rank 2017: 1 BV 2017: \$ 64,458m
	2	Rank 2017: 2 BV 2017: \$ 42,897m
	3	Rank 2017: 3 BV 2017: \$ 20,216m
	4	Rank 2017: 4 BV 2017: \$ 19,199m
	5	Rank 2017: 5 BV 2017: \$ 15,317m
	6	Rank 2017: 6 BV 2017: \$ 15,242m
	7	Rank 2017: 7 BV 2017: \$ 9,991m
	8	Rank 2017: 8 BV 2017: \$ 9,086m
	9	Rank 2017: 9 BV 2017: \$ 8,544m
	10	Rank 2017: 10 BV 2017: \$ 8,304m

reliably deliver to customers and build strong relationships that have built its brand. Its brand is highly vulnerable to criticisms over the sustainability of its operations however, having been accused of labour abuses, land-grabs of indigenous territory and deforestation in Indonesia.

Unilever's total portfolio value is US\$42.9 billion. Many of its dozens of products, such as Marmite, Colmans and PG Tips, have achieved 'national treasure' status, their strong brands enabling them to withstand intense competition from store-brand competition. It is a major UK employer, well-known for its business ethics and focus on sustainability.

So when KraftHeinz launched a bid for the company, there was deep concern amongst a broad range of stakeholders. Eyebrows were raised in government and the upper echelons too, as the bid appeared to confirm the vulnerability of

British firms to takeover by foreign counterparts emboldened by the fall in the value of the pound following the Brexit vote.

In the event, Unilever's CEO Paul Pohlman rebuffed the US\$143 billion deal, which was seen to significantly undervalue the company. However this situation illustrates one of the fundamental reasons to value brands. Since internally generated goodwill (which includes brands) is not listed in company accounts, it is often overlooked or underestimated. Therefore valuing brands can prove essential in defending an underpriced takeover.

Unilever has one of the world's most valuable brand portfolios, more than double the value of KraftHeinz. Quantifying this and bringing it to the fore will be key to defending any future bids or ensuring that shareholders receive fair value.

Executive Summary



Brand Finance Food 50 (USDm)

Top 50 most valuable food brands 1 - 50.

Rank 2017	Rank 2016	Brand name	Domicile	Brand value (USDm) 2017	% change	Brand value(USDm) 2016	Brand rating 2017	Brand rating 2016
1	1	Nestle	Switzerland	19,416	-17%	23,395	AAA-	AAA
2	2	Danone	France	7,894	-2%	8,094	AA+	AAA-
3	3	Kellogg's	United States	7,068	-3%	7,312	AAA-	AAA-
4	4	Kraft	United States	5,631	-4%	5,865	AAA-	AAA-
5	7	Heinz	United States	5,292	19%	4,429	AAA-	AAA
6	5	Tyson	United States	4,925	5%	4,702	AA	AA+
7	9	Yili	China	4,294	2%	4,216	AAA-	AA+
8	8	Unilever	United Kingdom	4,290	-3%	4,423	AA+	AAA-
9	11	Wrigley's	United States	4,150	19%	3,491	A+	A+
10	6	Lay's	United States	3,874	-14%	4,513	AAA-	AAA-
11	10	Arla						
12	13	Uni-President						
13	New	Oscar Mayer						
14	15	Amul						
15	12	McCain						
16	New	Wilmar						
17	18	Almarai						
18	20	Mengniu						
19	23	Quaker						
20	22	Campbell's						
21	16	Bimbo						
22	26	Kinder						
23	14	Want Want						
24	17	Hershey's						
25	21	Mars						
26	25	Yakult						
27	New	Arawana						
28	19	Yoplait						
29	24	Ajinomoto						
30	31	Ferrero						
31	New	Yinlu						
32	30	Knorr						
33	39	Cadbury						
34	36	Lindt						
35	27	Master Kong						
36	32	Kikkoman						
37	46	Devondale						
38	29	Trident						
39	43	S-26						
40	28	Tate & Lyle						
41	44	Philadelphia						
42	45	Nissin						
43	37	Enfamil						
44	New	Stouffer's						
45	42	Barry Callebaut						
46	New	Nature Valley						
47	48	Sanderson Farms						
48	New	Président						
49	New	Reese's						
50	47	Nutella						

Executive Summary

Soft Drinks
25



With a brand value of US\$31.9 billion this year, Coca-Cola is the most valuable non-alcoholic drink brand and it was the world’s most valuable brand across all industries in 2007. Increasing concerns over the links between carbonated drinks and obesity have begun to undermine what the Coca-Cola brand has represented for over one hundred years. Over the last few years Coca-Cola has rolled out a much publicised initiative to consolidate Coke, Diet Coke, Coke Zero and Coke Life under one master brand. Unfortunately, it has failed to address changing consumer tastes in a substantive way. As alternatives marketed as healthier or more natural have fragmented the soft drinks market, Coca-Cola’s brand value has declined. In the last year, it has dropped 7% to US\$31.9 billion. Pepsi, the second most valuable non-alcoholic drink brand, is suffering from the same trend, falling 4% to US\$18.3 billion. Similarly, 7-Up and Fanta have been fallen 10% and 12% in value, respectively.

As their core brands falter, the Coca-Cola Company and Pepsico Inc. have looked to diversify their brand portfolios in order to meet changing consumer tastes. The Coca-Cola Company acquired juice brand Minute Maid back in 1960, decades before the current fetish for all things natural. However Minute Maid’s brand identity has been progressively tailored to this trend, with a green accent added to its iconic black logo and fruit portrayed on its packaging. Similarly Pepsico added Tropicana to its ‘house of brands’ in 1998. Keeping up with increasingly well informed consumers can be challenging however. Even orange juice is starting to be seen as less than ideal from a health perspective due to its sugar content and the segment has suffered a difficult period. Additional health benefits must be communicated, so Pepsico has introduced the Tropicana Probiotics range to access a rapidly growing market more traditionally associated with

	1	Rank 2017: 1 2016: 1
		BV 2017: \$ 31,885m -7%
		BV 2016: \$ 34,180m
		Brand Rating: AAA
	2	Rank 2017: 2 2016: 2
		BV 2017: \$ 18,279m -4%
		BV 2016: \$ 18,947m
		Brand Rating: AAA
	3	Rank 2017: 3 2016: 3
		BV 2017: \$ 6,738m +3%
		BV 2016: \$ 6,538m
		Brand Rating: AAA
	4	Rank 2017: 4 2016: 4
		BV 2017: \$ 5,399m -12%
		BV 2016: \$ 6,169m
		Brand Rating: AAA-
	5	Rank 2017: 5 2016: 5
		BV 2017: \$ 4,573m +12%
		BV 2016: \$ 4,070m
		Brand Rating: AAA-

	6	Rank 2017: 6 2016: 6
		BV 2017: \$ 4,372m +16%
		BV 2016: \$ 3,762m
		Brand Rating: AA+
	7	Rank 2017: 7 2016: 8
		BV 2017: \$ 2,994m +9%
		BV 2016: \$ 2,739m
		Brand Rating: AA+
	8	Rank 2017: 8 2016: 12
		BV 2017: \$ 2,929m +27%
		BV 2016: \$ 2,298m
		Brand Rating: AA+
	9	Rank 2017: 9 2016: 7
		BV 2017: \$ 2,911m -12%
		BV 2016: \$ 3,318m
		Brand Rating: AAA-
	10	Rank 2017: 10 2016: 9
		BV 2017: \$ 2,399m -8%
		BV 2016: \$ 2,613m
		Brand Rating: AAA-



Executive Summary



Brand Finance
Soft Drinks 25 (USDm)

Top 50 most valuable soft drinks brands 1 - 25.

Rank 2017	Rank 2016	Brand name	Domicile	Brand value (USDm) 2017	% change	Brand value(USDm) 2016	Brand rating 2017	Brand rating 2016
1	1	Coca-Cola	United States	31,885	-7%	34,180	AAA	AAA+
2	2	Pepsi	United States	18,279	-4%	18,947	AAA	AAA
3	3	Red Bull	Austria	6,738	3%	6,538	AAA	AAA
4	4	Nescafe	Switzerland	5,399	-12%	6,169	AAA-	AAA-
5	5	Gatorade	United States	4,573	12%	4,070	AAA-	AA+
6	6	Sprite	United States	4,372	16%	3,762	AA+	AAA-
7	8	Mountain Dew	United States	2,994	9%	2,739	AA+	AA+
8	12	Dr Pepper	United States	2,929	27%	2,298	AA+	AA+
9	7	Fanta	United States	2,911	-12%	3,318	AAA-	AAA-
10	9	Tropicana	United States	2,399	-8%	2,613	AAA-	AAA-
11	10	Monster						
12	11	Folgers						
13	15	Lipton						
14	14	7-Up						
15	-	Poland Spring						
16	19	Minute Maid						
17	16	Twinings						
18	18	Evian						
19	22	Mirinda						
20	-	Milo						
21	25	Dasani						
22	21	Ovaltine						
23	23	Aquafina						
24	-	Perrier						
25	-	Snapple						

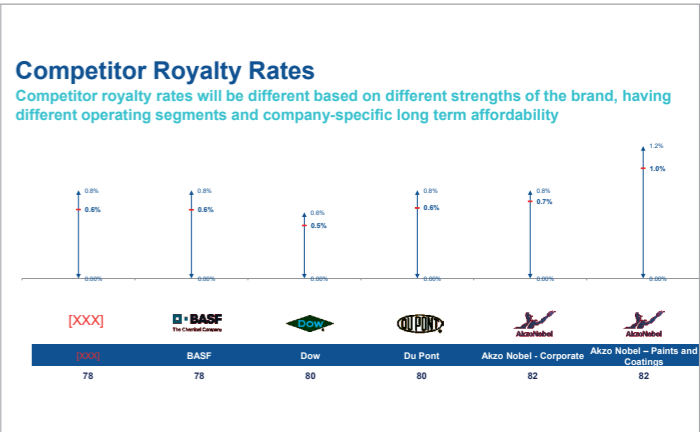
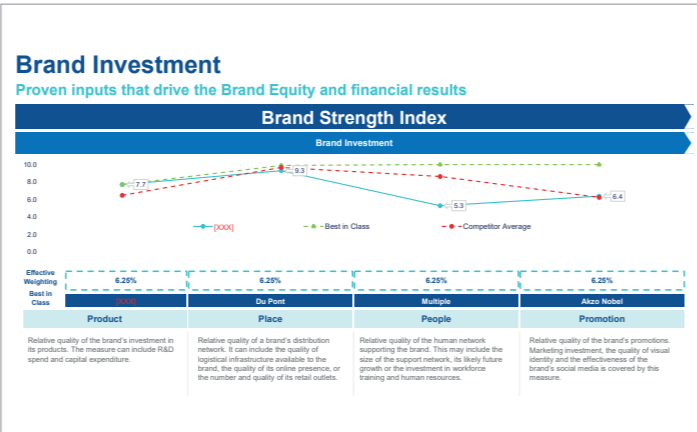
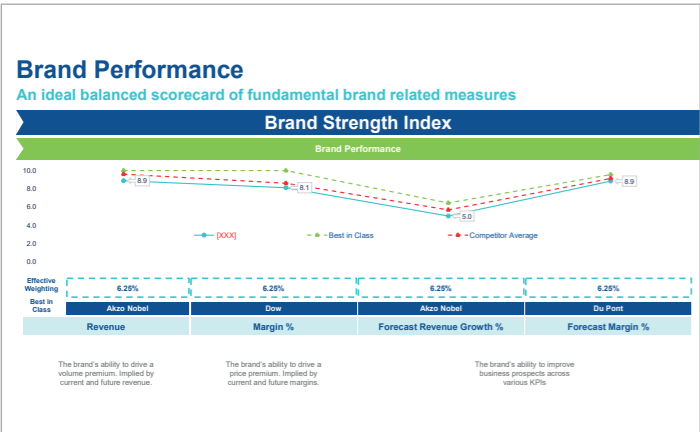
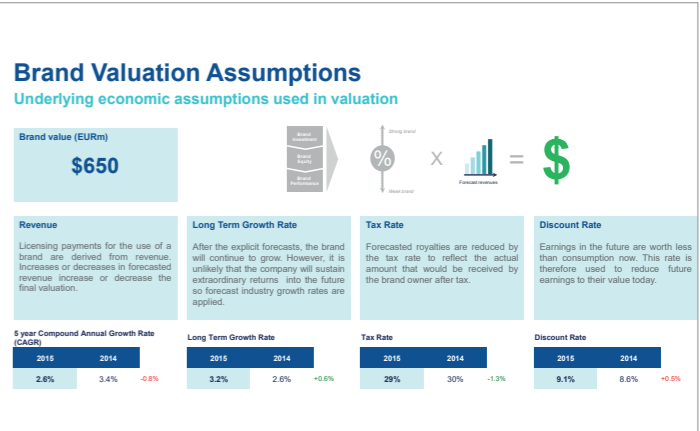
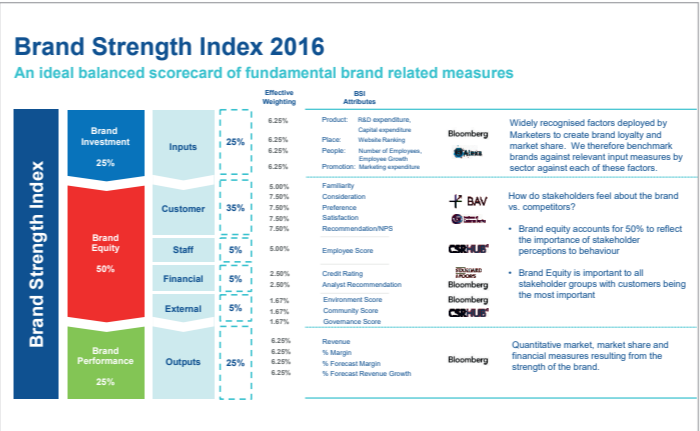
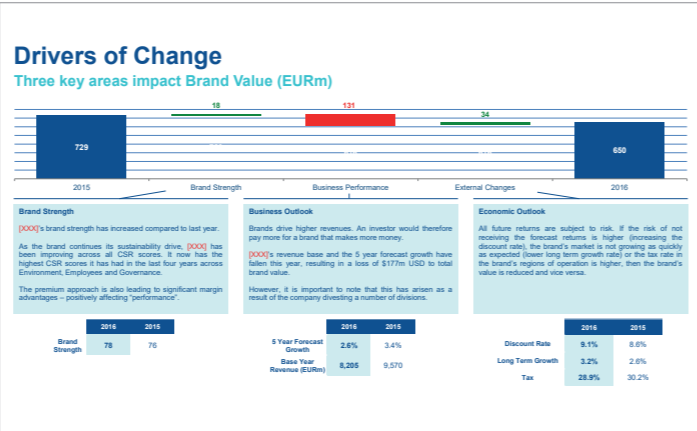
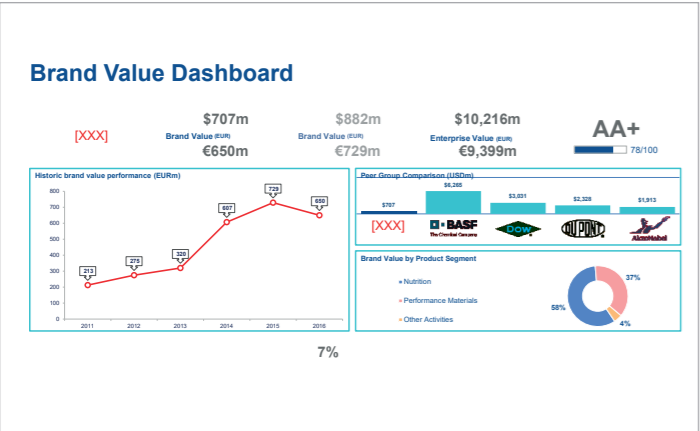
the Dairy Industry.

Naked Drinks is a further example. Acquired by Pepsi a decade ago, its branding is more reminiscent of a health supplement than what, until recently, would be regarded as a mass market consumer product and yet Pepsico recently stated that Naked is “on its way to being our next \$1 billion brand.”

Associated British Foods’ Twinings and Ovaltine brands are notable Brexit casualties. Though the brands are sold internationally, Britain remains a key market. Rising inflation threatens demand, the decline in the value of the pound significantly increases input costs and economic uncertainty creates risk that hits long term brand value. However, having stood the test of time for 311 years, the Twinings brand has surely endured bigger challenges.



Understand Your Brand's Value



A Brand Value Report provides a complete breakdown of the assumptions, data sources and calculations used to arrive at your brand's value.

Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

A full report includes the following sections which can also be purchased individually.

Brand Valuation Summary

Overview of the brand valuation including executive summary, explanation of changes in brand value and historic and peer group comparisons.

- + Internal understanding of brand
- + Brand value tracking
- + Competitor benchmarking
- + Historical brand value

Brand Strength Index

A breakdown of how the brand performed on various metrics of brand strength, benchmarked against competitor brands in a balanced scorecard framework.

- + Brand strength tracking
- + Brand strength analysis
- + Management KPI's
- + Competitor benchmarking

Royalty Rates

Analysis of competitor royalty rates, industry royalty rate ranges and margin analysis used to determine brand specific royalty rate.

- + Transfer pricing
- + Licensing/ franchising negotiation
- + International licensing
- + Competitor benchmarking

Cost of Capital

A breakdown of the cost of capital calculation, including risk free rates, brand debt risk premiums and the cost of equity through CAPM.

- + Independent view of cost of capital for internal valuations and project appraisal exercises

Trademark Audit

Analysis of the current level of protection for the brands word marks and trademark iconography highlighting areas where the marks are in need of protection.

- + Highlight unprotected marks
- + Spot potential infringement
- + Trademark registration strategy

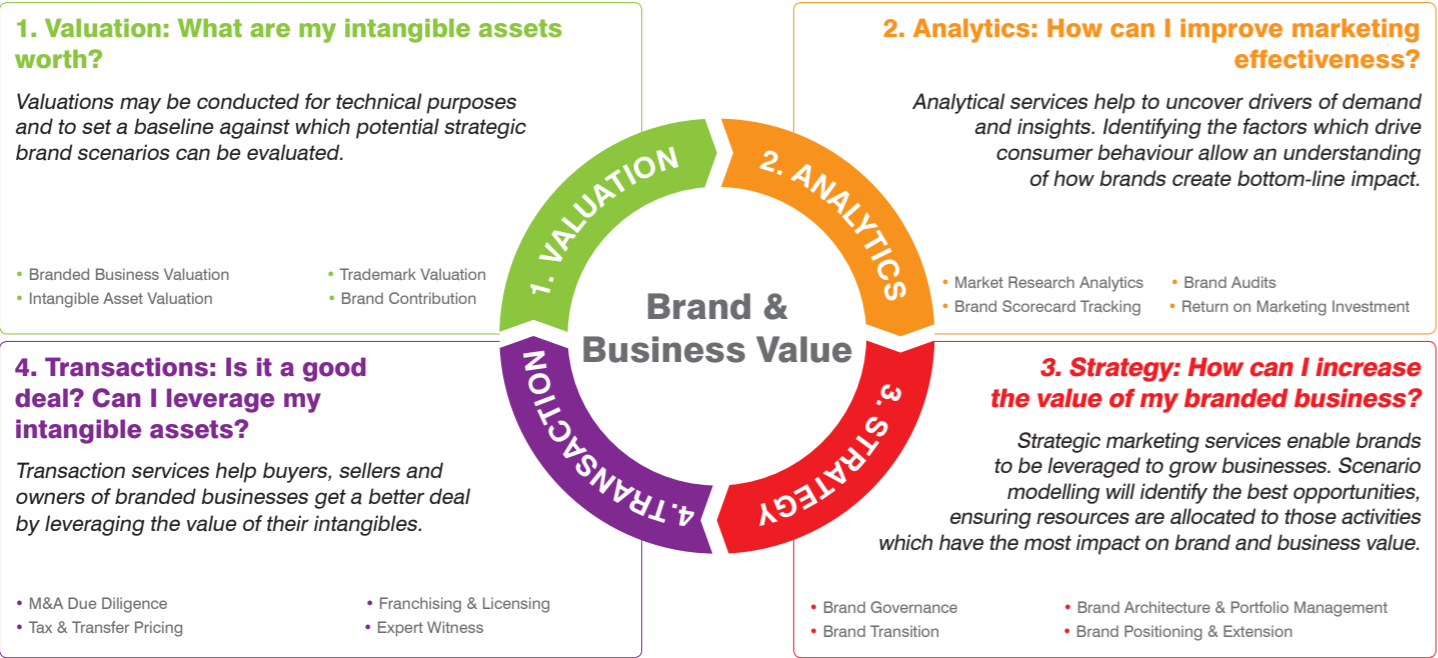
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How we can help



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