

TENET



**Don't forget the Corporate Brand
as a Valuation Model
Brand Intelligence Tool**

**MASB Summer Summit
2015
James R. Gregory**

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“CoreBrand’s approach is Consistent, Reliable, Stable and Predictive”

Everything the standard setters demand exists in the CoreBrand models

CoreBrand has proven that intangibles, like brands can be:

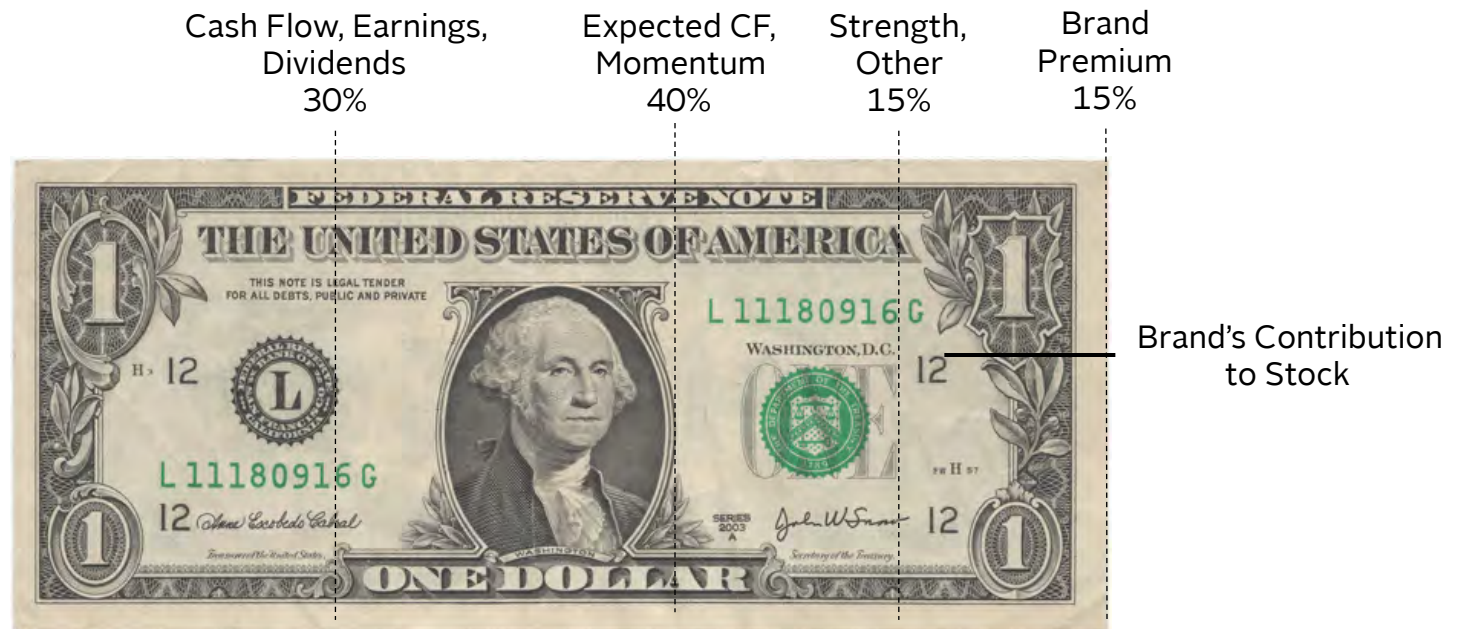
- Accurately and consistently measured
- Managed and budgeted for like other business assets
- Predictive and accountable
- Evaluated on an ROI basis
- Easily replicated
- Reliable and stable enough to appear in financial reports

CoreBrand Analytics model has been audited, validated and tested through controlled experimentation

CoreBrand's method identifies the stock price premium commanded by the corporate brand

Quantitative research and two regression models identify the corporate brand's contribution to stock price

- The corporate brand's contribution is expressed 2 ways - as a % of market cap and as an absolute dollar figure
- The value is derived simply as a function of the stock price on any given day



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How do the different valuations compare?

We examined 18 companies



2014 BEV Comparisons

Company	CoreBrand	Interbrand	Millward Brown	Brand Finance	Brand Value Average	Total Market Cap	Average BEV %
Amazon	\$20,681	\$29,478	\$64,255	\$56,124	\$42,635	\$143,692	29.7%
American Express	\$17,452	\$19,510	\$34,430	\$21,567	\$23,240	\$95,366	24.4%
Apple	\$113,720	\$118,863	\$147,880	\$128,303	\$127,191	\$656,761	19.4%
Cisco	\$14,009	\$30,936	\$13,710	\$23,217	\$20,468	\$142,077	14.4%
Coca-Cola	\$35,854	\$81,563	\$80,683	\$35,797	\$58,474	\$184,713	31.7%
Disney	\$30,092	\$32,223	\$34,538	\$30,698	\$31,888	\$161,536	19.7%
General Electric	\$41,799	\$45,480	\$56,685	\$48,019	\$47,996	\$252,700	19.0%
Google	\$62,108	\$107,439	\$158,843	\$76,683	\$101,268	\$357,952	28.3%
Honda	\$8,632	\$21,673	\$14,085	\$22,424	\$16,704	\$53,204	31.4%
HP	\$11,353	\$23,758	\$19,469	\$18,068	\$18,162	\$74,642	24.3%
Intel	\$22,281	\$34,153	\$11,667	\$25,011	\$23,278	\$175,568	13.3%
McDonald's	\$16,723	\$42,254	\$85,706	\$22,040	\$41,681	\$90,421	46.1%
Microsoft	\$68,053	\$61,154	\$90,185	\$67,060	\$71,613	\$382,702	18.7%
Nike	\$14,169	\$19,875	\$24,579	\$24,118	\$20,685	\$83,651	24.7%
Oracle	\$5,109	\$25,980	\$20,913	\$22,888	\$18,723	\$200,746	9.3%
PepsiCo	\$24,935	\$19,119	\$11,476	\$21,379	\$19,227	\$141,840	13.6%
Toyota	\$30,936	\$42,392	\$29,598	\$35,017	\$34,486	\$199,262	17.3%
UPS	\$17,087	\$14,470	\$47,738	\$19,537	\$24,708	\$101,721	24.3%
TOTAL AVERAGES	\$30,833	\$42,796	\$52,580	\$38,775	\$41,246	\$194,364	21.2%

Brand Contribution as a % of Market Cap

Average Market Cap for the Top 18 Companies -- \$194 billion

Average Brand Equity Value by consulting company:

CoreBrand -- \$30 billion = 16%

Brand Finance -- \$39 billion = 20%

Interbrand -- \$43 billion = 22%

Millward Brown -- \$53 billion = 27%

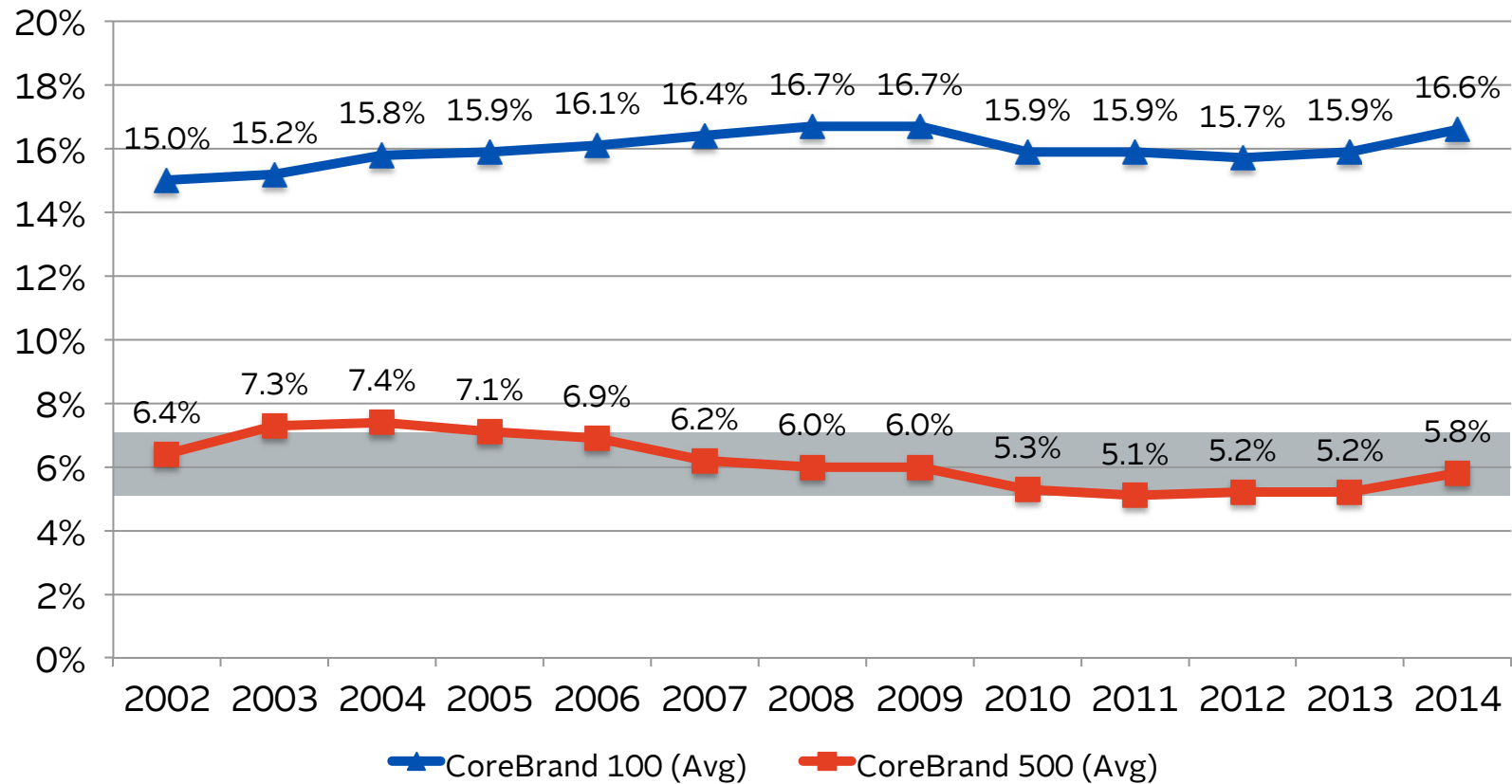
Average of Brand Equity Valuation Firms -- \$41 billion = 21%

But keep in mind this is based on the **Top 18 Companies**

What about the rest of the universe?

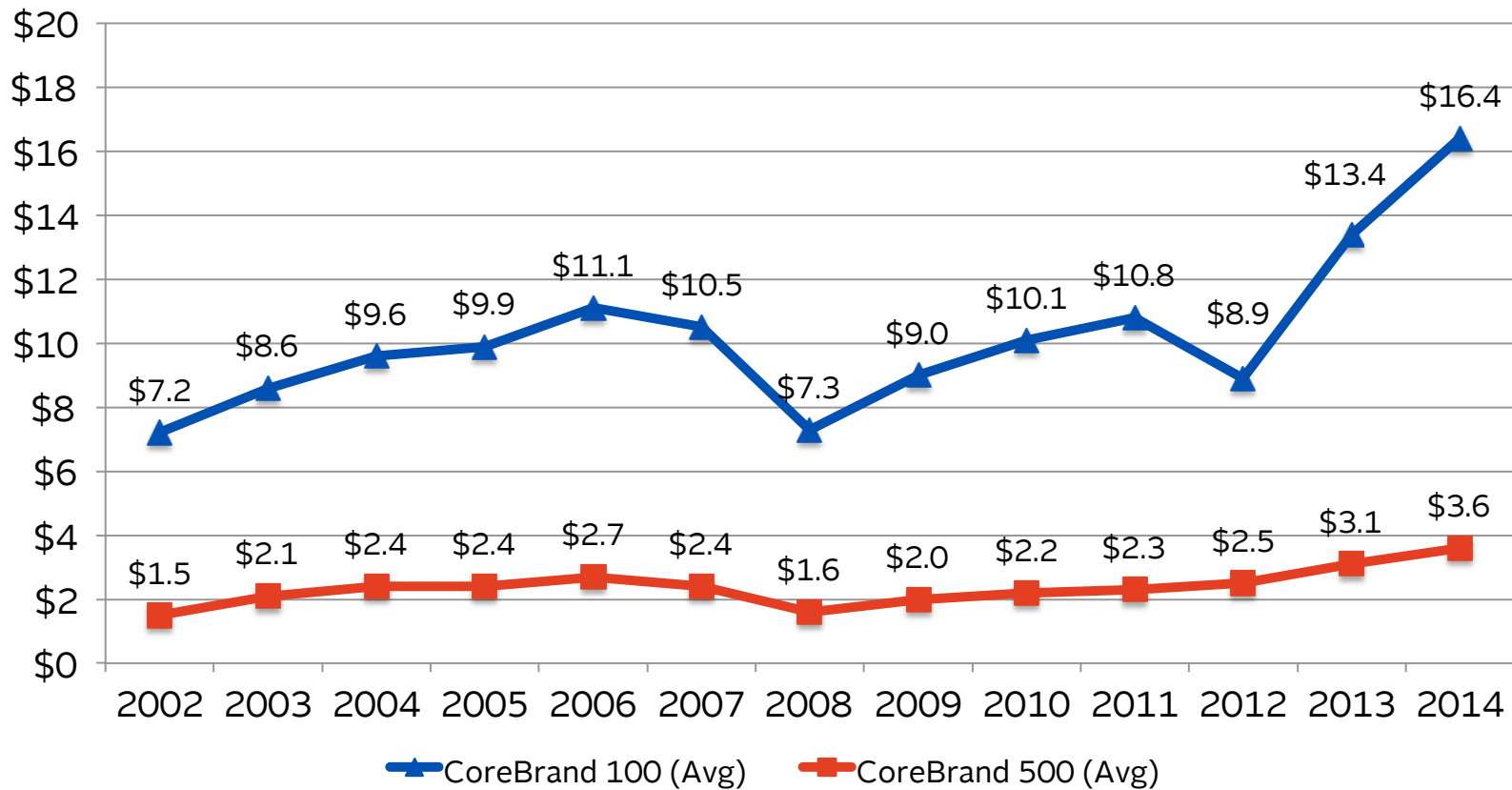
CoreBrand Equity % of Market Cap

Highlighted area = historic average



CoreBrand Equity \$ Values

\$ Values are in the Billions ex: \$1.00 = \$1 Billion



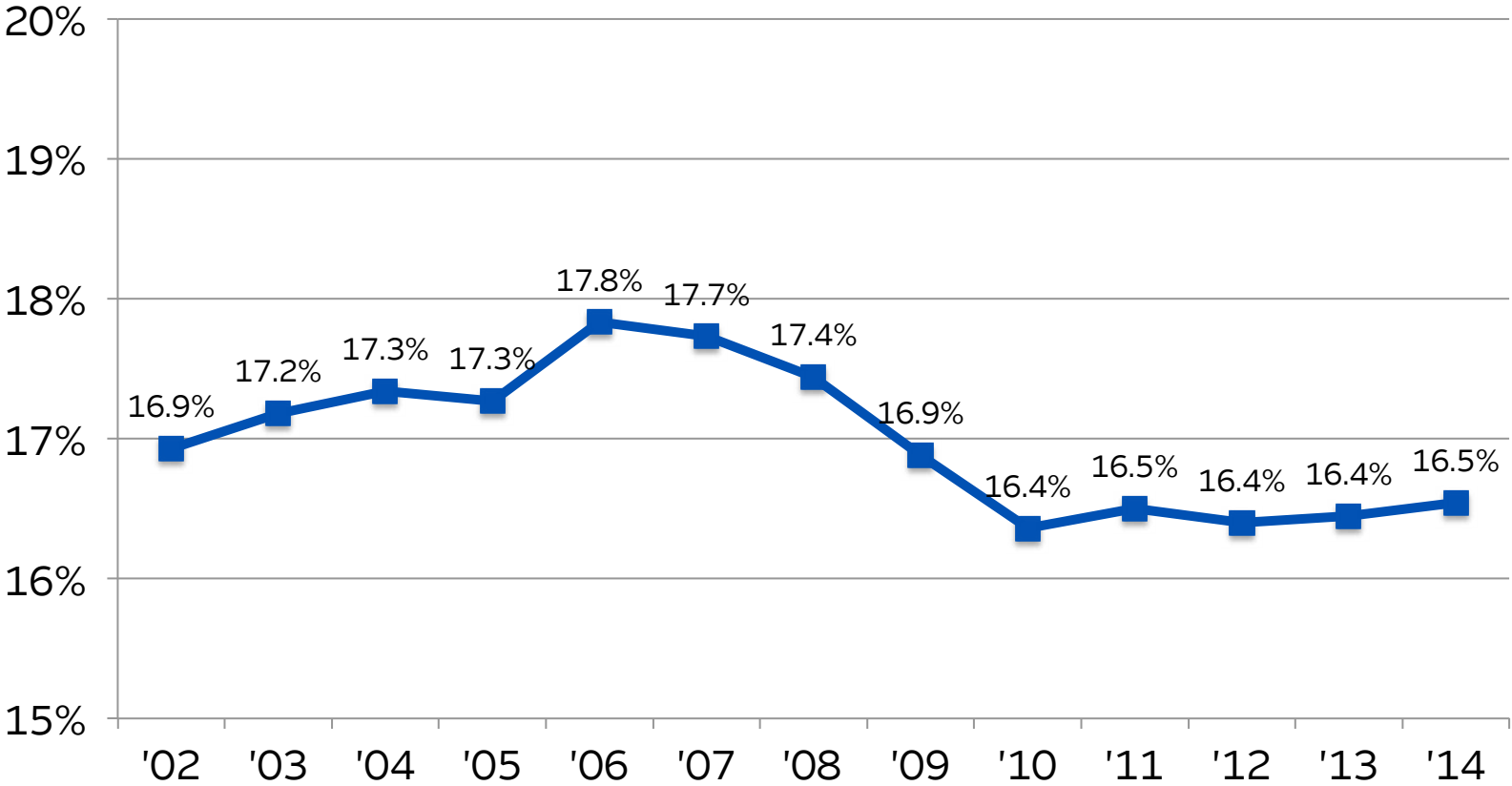
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How does CoreBrand Analytics compare? GE Case Study



CoreBrand Equity % of Market Cap 2002–2014 GE

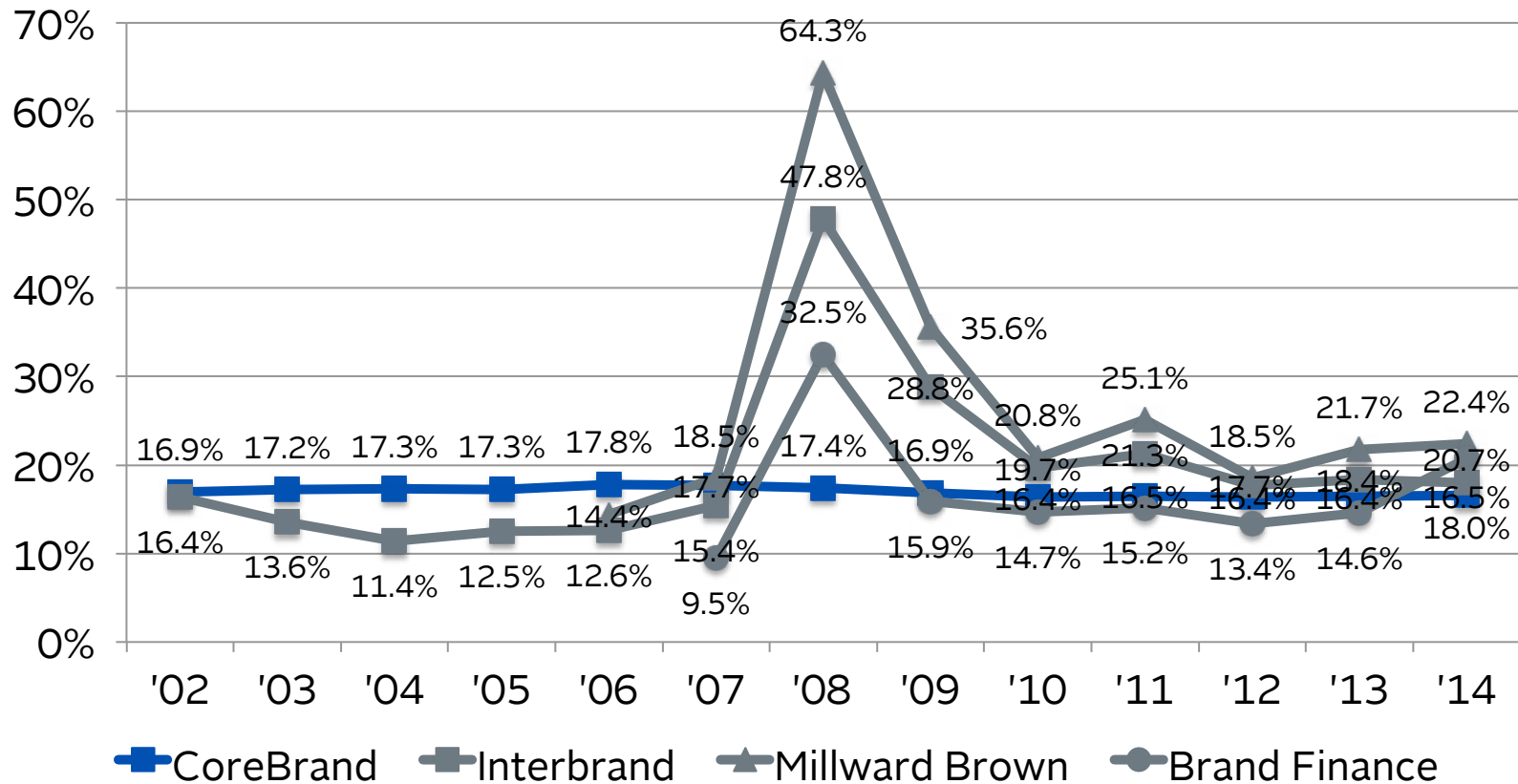
CoreBrand Index® -- Market research driven approach



Brand Equity % of Market Cap 2002–2014

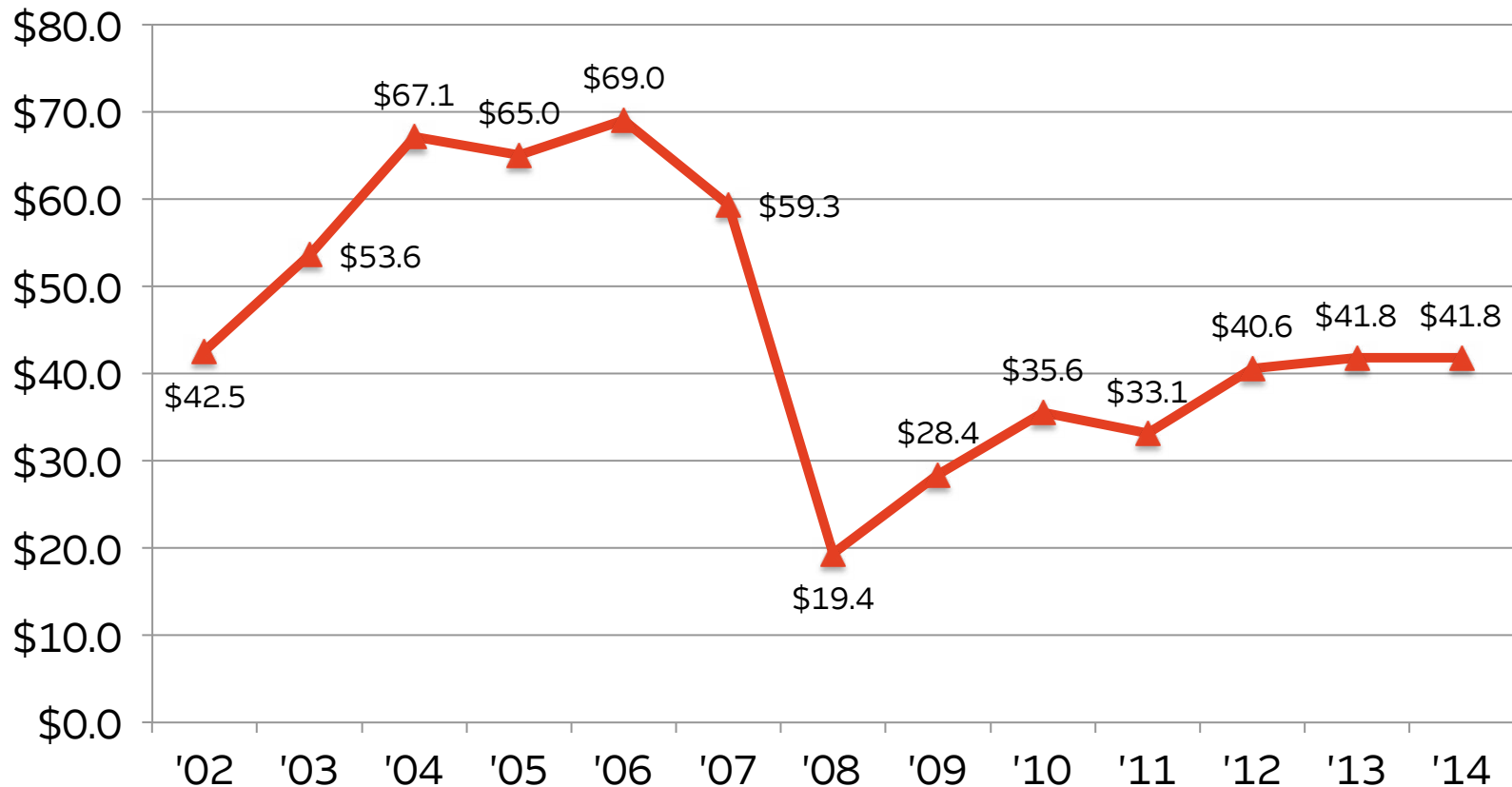
GE

CoreBrand method compared with Interbrand, Millward Brown, Brand Finance – Brand Equity as a % of market cap was calculated from the \$ values of all except for CoreBrand



CoreBrand Equity \$ Value (\$mmm) 2002–2014 GE

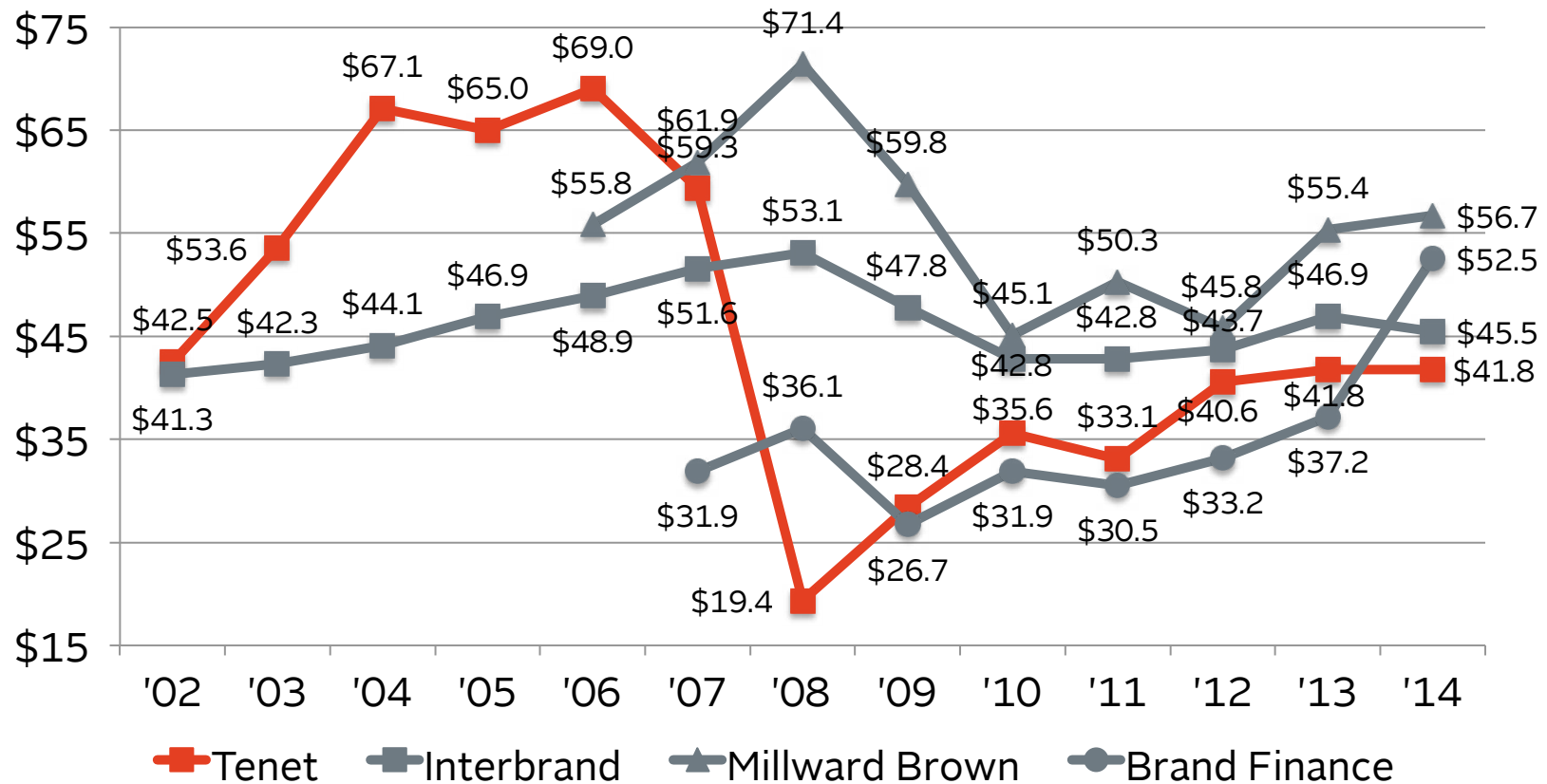
*CoreBrand Index -- Market research driven approach:
Financial calculation is simply brand equity as % of stock share price x shares outstanding*



Brand Equity \$ Value (\$mmm) 2002–2014

GE

Dollar value of brand equity for GE. CoreBrand shows value declining during 2008 crisis and rising thereafter. Competitors show the opposite trend.



The Simplicity of CoreBrand Equity Value

Isolating brand impact from market noise

	Q1 Year 1	Q2 Year 1	Q3 Year 1	Q4 Year 1	Q1 Year 2	Q1 Year 2
Stock Price, \$/Share	44.0	58.0	62.1	56.7	57.9	59.9
Sales Revenue, \$Bil.	11.9	12.0	12.4	12.4	12.4	12.4
Shares Outstanding, Mil.	247.9	250.3	253.0	253.0	253.0	253.0
Familiarity	52.0	52.9	53.8	55.2	55.7	56.0
Favorability	58.4	57.8	58.8	59.3	60.4	59.1
Total Mkt. Cap., \$Bil.	10.9	14.5	15.7	14.3	14.6	15.1
Brand Equity, \$Mil.	881.0	1185.0	1320.0	1253.0	1308.0	1345.0
% of Market Cap from brand (BEV)	8.1	8.2	8.4	8.7	8.9	8.9
% of Market Cap. above peers	0.0	0.1	0.2	0.5	0.6	0.7
Media spend \$m (com)	\$2 (2)	\$4 (6)	\$6 (12)	\$9 (21)	\$4 (25)	\$0 (25)
Value created \$m	0	14.5	31.4	71.5	87.6	105.7
Cumulative ROI (\$m)	(2)	8.5	19.4	50.5	62.6	80.7

80/25= 3.2 ROI

To paraphrase Mr. Wannamaker:

*“By not valuing both
your corporate brand
and product brands
you are wasting half the
value you created.”*

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Thank you

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