Brand Finance®

Press Release – For Immediate Release
London and Mexico City, June 14, 2017

Mexico's Strongest and Most Valuable Brands Revealed

- **OXXO is Mexico's strongest brand with a brand strength rating of AAA+.**
- **Pemex, the country's most valuable brand at US$8.477 billion, faces new challenges as energy market is deregulated.**
- **Telcel is most valuable telecommunications brand, up 16% to US$3.552 billion, despite new competition from AT&T.**

Every year, leading valuation and strategy consultancy Brand Finance assesses the brands of thousands of the world's biggest companies. A brand's strength is calculated to determine what proportion of a business's revenue is contributed by the brand. This is projected into perpetuity and discounted to a net present value to determine the brand's value. The 50 strongest and most valuable Mexican brands are included in the Brand Finance Mexico 50 report.

View the full Brand Finance Mexico 50 report here

OXXO is Mexico's strongest brand and the only one in the country to receive the highest brand strength rating of AAA+. The AAA+ rating is assigned only to the world's most exceptionally strong brands, such as Disney, Nike or Ferrari, and only ten out of the 500 top brands globally can boast this achievement. The nation's largest convenience chain, OXXO opened 1,164 new stores in 2016, bringing the total to 15,225. With over 300 gas stations being rebranded as OXXO since last year's liberalization of the energy market, the brand's visibility in the public arena has increased even further. Moreover, the parent company, Femsa, announced it will continue to invest in the OXXO brand, with 50 new gas stations set to open every year.

Brand strength corresponds directly to the efficiency of brand management; the metrics taken into account when assessing it are marketing investment, brand equity with stakeholders, and finally the impact of those on business performance. Though it is the nation's strongest, due to smaller revenues than some other major brands OXXO is the 6th most valuable in the Brand Finance Mexico 50 study, up 25% to a value of US$2.101 billion.

View the full list of Mexico's 50 most valuable brands here

Pemex, however, is the most valuable Mexican brand, with a value of US$8.477 billion. The brand appears in the Brand Finance Mexico 50 for the first time as the energy reform put an end to 75 years of state monopoly in the oil and gas sector and introduced market conditions that now make Pemex's performance more comparable with that of similar brands worldwide. Although starting from a significantly safer market position than rivals, Pemex has struggled with profitability and now faces newfound challenges as a brand because of deregulation, as consumers welcome the arrival of global competitors.

"As the Mexican oil and gas industry becomes more competitive, for the first time in its history, Pemex must contend for consumer preference. Like in other sectors, the brand will come under increasing pressure to perform," said Brand Finance Mexico Managing Director, Laurence Newell. "There is a new dynamic which both sides of the equation need to understand – Pemex must define what their retail value proposition is, and consumers must ask themselves why they should prefer Pemex."

After Pemex, the top spots of the Brand Finance Mexico 50 2017 ranking go to industry leaders: telecommunications giant, Telcel (2), valued at US$3.552 billion (+16%), and building materials conglomerate, Cemex (3), valued at US$2.938 billion (+3%).

"Telecommunications is another sector where we are also witnessing a transformative market dynamic. This year, Iusacell dropped out of the market as a brand, and AT&T – the most valuable global telecommunications brand of 2017 according to Brand Finance's research – made a formal entrance," Newell added. "Telcel will no longer compete only with smaller players, rather it must now hold its own against a global heavyweight."

In this context, Newell explains why brand valuation actually matters. "It becomes more relevant to know the precise financial value of your brand as an asset, to fully maximize returns. Going forward, brands must reexamine the virtues of strategy, positioning, and measurement, to understand how to generate value in the long run and what to do strategically to consolidate and extend that value."

"Brands are some of the most valuable assets that companies possess," says Richard Haigh, Brand Finance's Managing Director in London. "By valuing brands, we provide a mutually intelligible language for marketers and finance teams, with information to chart a course that maximizes profits."

Year to year, **brand values in the Brand Finance Mexico 50 league table grew by an average of 12%**. Important highlights from this year's analysis:

- The market's **alcoholic beverages sector** is one of the strongest in the table. Six of Mexico's most valuable brands belong to the beer category – including new entrants, Tecate (US$1.215 billion), Modelo (US$608 million), Victoria (US$586 million), and Carta Blanca (US$491 million). However, with a brand value of US$2.394 billion, Corona Extra remains the nation's most valuable beer brand, defending the fourth position in the Brand Finance Mexico 50 overall. Notably, all of the big Mexican beer brands are now part of the brand portfolios of two industry giants, AB InBev SA NV, which in fact controls 11 of the world's 25 most valuable beer brands, and Heineken NV. At the same time, Mexico's most valuable spirits brand, Jose Cuervo, enters the list ranked 30th with a brand value of US$473 million.

- **Bank brands** feature prominently in this year's Brand Finance Mexico 50. Citibanamex is valued at US$1.915 billion, in a year in which the brand is undergoing the important transition from Banamex to Citibanamex. Other bank brands on the list include Banorte (US$1.409 billion), Inbursa (US$511 million), Banco Azteca (US$328 million), and Compartamos Banco (US$238 million).

- Mexico's **retail sector** is the largest generator of brand value. This year's list includes 9 retail brands, totaling US$7.788 billion dollars in brand value, with players such as Walmex's Bodega Aurrerá valued at US$1.829 billion and La Comer (US$271 million).

ENDS

Notes to Editors

For more definitions of key terms, methodology and more stories, please consult the Brand Finance Mexico 50 report document.

Brand values are reported in USD. For conversions into MXN, please consult the hover over the 'i' button on the web version of the table and select.

Media Contacts

Erika Eyl, Marketing & Communications, Brand Finance Mexico
T: 4631-3476
M: 55 1401 8596
e.eyl@brandfinance.com

Horacio Loyo, Dextera Comunicación for Brand Finance Mexico
T: 5282 0826 x228
M: 55 1333 6946
horacio.loyo@dextera.com.mx

Konrad Jagodzinski, Senior Communications Manager, Brand Finance, London
T: +44 (0)2073899400
M: +44 (0)7508304782
k.jagodzinski@brandfinance.com

About Brand Finance

Brand Finance is the world's leading brand valuation and strategy consultancy, with offices in over 25 countries. We provide clarity to marketers, brand owners and investors by quantifying the financial value of brands. Drawing on expertise in strategy, branding, market research, visual identity, finance, tax and intellectual property, Brand Finance helps clients make the right decisions to maximise brand and business value and bridges the gap between marketing and finance.

Methodology

Definition of Brand

When looking at brands as business assets that can be bought, sold and licensed, a 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.”

However, a brand makes a contribution to a company beyond that which can be sold to a third party. ‘Brand Contribution’ refers to the total economic benefit that a business derives from its brand, from volume and price premiums over generic products to cost savings over less well-branded competitors.

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.

Approach

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 0-5% 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%.

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.