



Utilities

50

2018

The annual report on the world's most valuable utilities brands
February 2018

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. Sceptical 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 marketing and finance. 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 marketing 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 research revealed the compelling link between strong brands and stock market performance. It was found that investing in 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.

About Brand Finance.

Brand Finance is the world's leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- Independence
- Technical Credibility
- Transparency
- Expertise.

Brand Finance puts thousands of the world's biggest brands to the test every year, evaluating which are the strongest and most valuable.



For more information, please visit our website:

www.brandfinance.com

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For further information on Brand Finance®'s services and valuation experience, please contact your local representative:

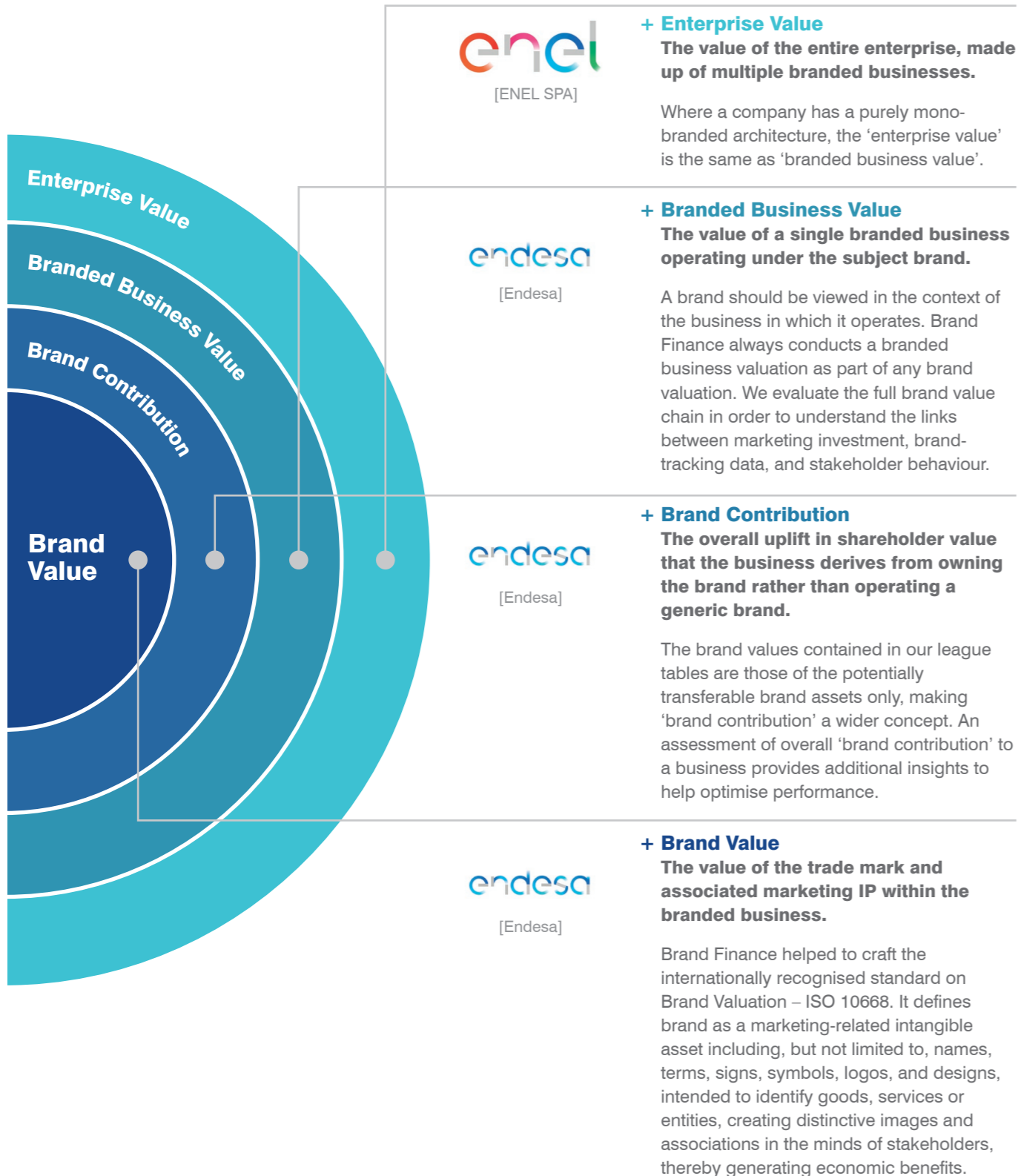
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Definitions.

Brand Value



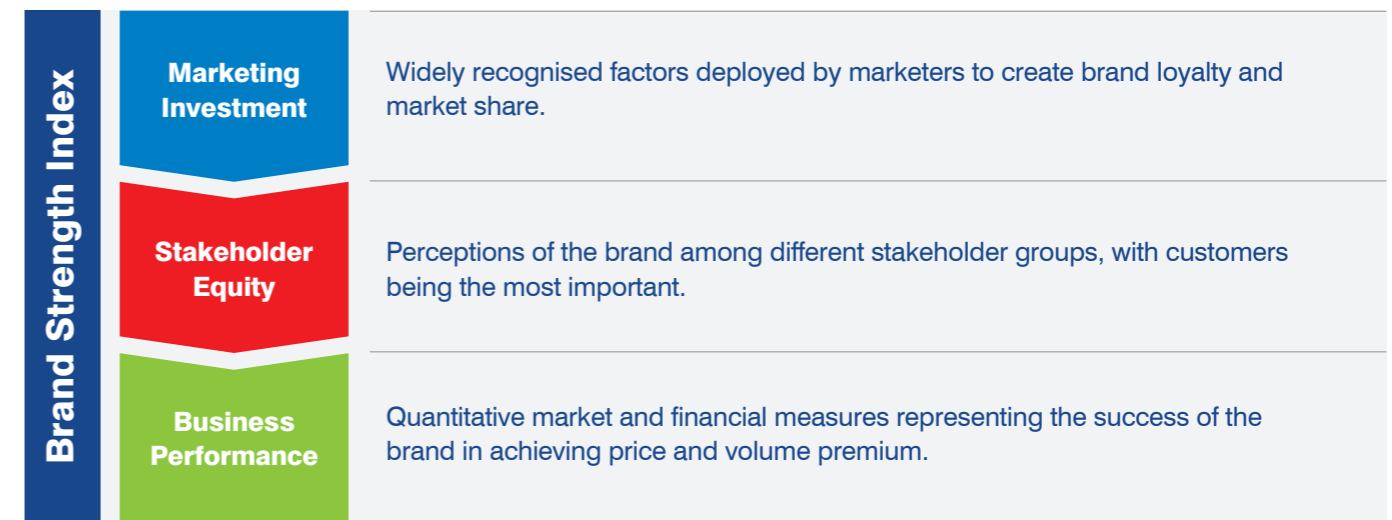
Brand Strength

Brand Strength is the efficacy of a brand's performance on intangible measures, relative to its competitors.

Each brand is assigned a Brand Strength Index (BSI) score out of 100, which feeds into the brand value calculation. Based on the score, each brand is assigned a corresponding rating up to AAA+ in a format similar to a credit rating.

In order to determine the strength of a brand, we look at Marketing Investment, Stakeholder Equity, and the impact of those on Business Performance.

Analysing the three brand strength measures helps inform managers of a brand's potential for future success.



Executive Summary.



State Grid Electrifies Utilities Ranking

State Grid, the electric utility giant from China, has made a commanding entrance to the Brand Finance Utilities 50 league table. With a brand value of US\$40.9 billion, over four times more than France's EDF, it is by far the most valuable utility brand in the world. The company's service covers the majority of China's land area, with a population of more than 1.1 billion. The brand's success is supported through strategic investment, innovative technology, responsible operations, and environmental stability efforts. State Grid is committed to an electrification revolution in China that would connect all networks across the country. The brand is known for investing in 'Smart Grid' electrical systems using Ultra High Voltage (UHV) lines, among other projects which enable a cleaner and more efficient transmission of electricity.

State Grid is also admired in China for their sense of corporate social responsibility. Their tagline 'Your power, our care' aligns with the government's projection of the national brand which underscores the need for state institutions to balance authority with consideration.

The success of Chinese brands can be attributed to the government policy of promoting green and renewable energy solutions. As China takes on a global leadership role, also in environment protection, corporate brands benefit from the momentum.

David Haigh
CEO, Brand Finance

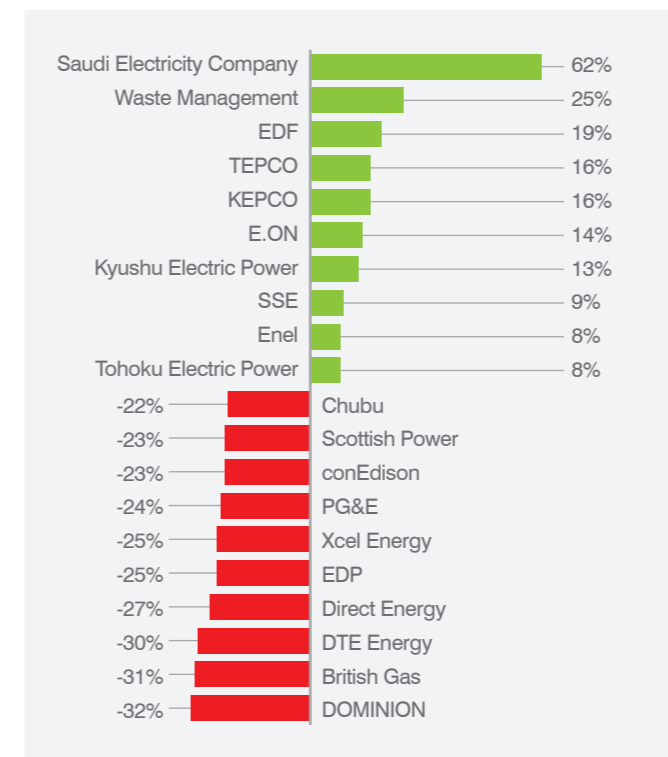
Three smaller Chinese brands have also made an entrance into the Brand Finance Utilities 50 league table this year: GD Power Development (28th, US\$1.4 billion), Datang Power (33rd, US\$1.2 billion), and CGN (39th, US\$1.1 billion).

European Giants Reorganise

The changing landscape towards an ever growing renewables and alternative energy offering has resulted in a need for European utilities companies to consider the best ongoing strategy for the use of their brands. E.ON and RWE have both chosen to divide their business and use distinct brands for the two sets of operations in the past year.

RWE, a European giant in the utility market, separated its operations into two segments: Innogy and RWE. Innogy oversees renewables, grids, and retail, whereas RWE is centred towards conventional power generation and energy trading. As a result, RWE dropped out of the Brand Finance Utilities 50, replaced by Innogy which entered the table in 6th place.

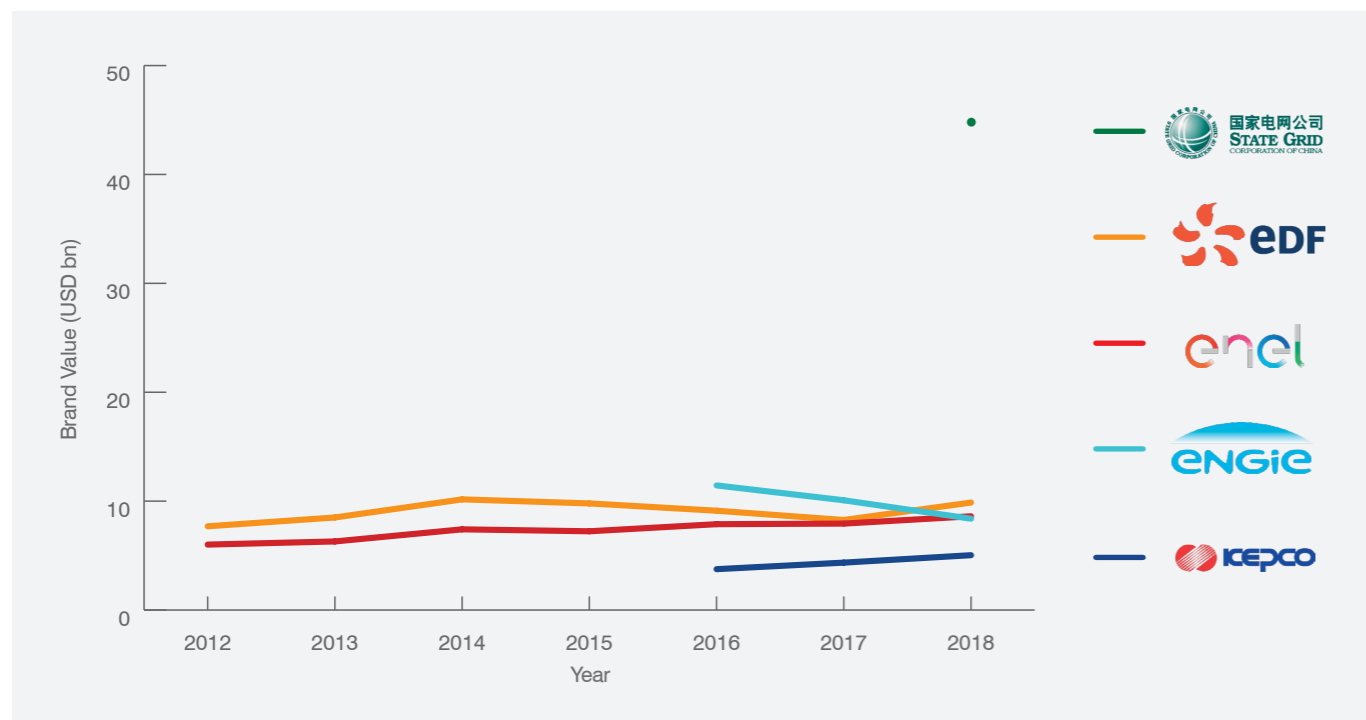
Brand Value Change 2017-2018 (%)



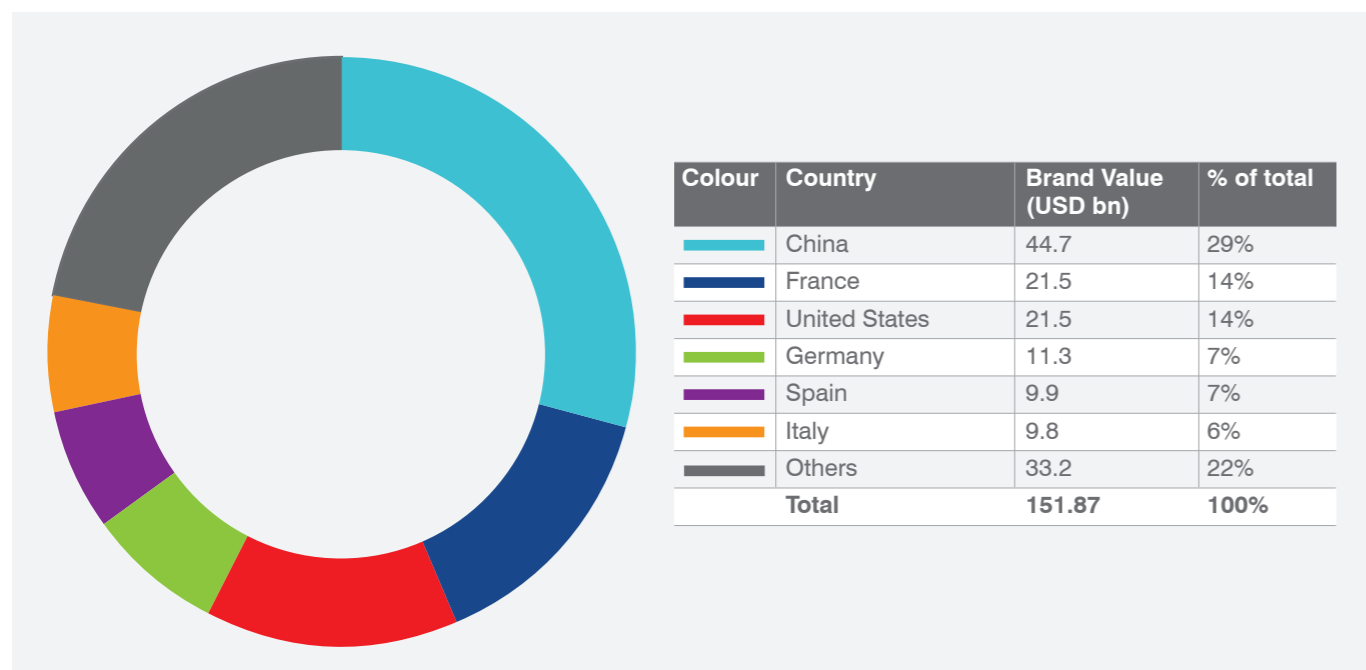
Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: New BV 2018: \$40,944m Brand Rating: AA+
	2	Rank 2018: 2 2017: 2 → BV 2018: \$9,869m +19% BV 2017: \$8,268m Brand Rating: AA+
	3	Rank 2018: 3 2017: 3 → BV 2018: \$8,608m +8% BV 2017: \$7,936m Brand Rating: AAA-
	4	Rank 2018: 4 2017: 1 ↓ BV 2018: \$8,386m -17% BV 2017: \$10,078m Brand Rating: AA
	5	Rank 2018: 5 2017: 4 ↓ BV 2018: \$5,035m +16% BV 2017: \$4,353m Brand Rating: AAA-
	6	Rank 2018: 6 2017: New BV 2018: \$4,068m Brand Rating: A+
	7	Rank 2018: 7 2017: 5 ↓ BV 2018: \$3,857m -7% BV 2017: \$4,126m Brand Rating: AA+
	8	Rank 2018: 8 2017: 8 → BV 2018: \$3,666m +9% BV 2017: \$3,367m Brand Rating: AA-
	9	Rank 2018: 9 2017: 10 ↑ BV 2018: \$3,630m +16% BV 2017: \$3,132m Brand Rating: AA-
	10	Rank 2018: 10 2017: 6 ↓ BV 2018: \$3,265m -12% BV 2017: \$3,717m Brand Rating: AA-

Brand Value Over Time



Brand Value by Country



E.ON demerged its business into two sections, renewable energy networks and fossil fuel. The latter was rebranded as Uniper, and entered the table in 11th place. As a result of the split, E.ON dropped from 4th to 13th with its new focus on green energy.

Enel has done the converse to these two brands and over the last few years has been embarking on an overhaul of their brand in an attempt to change consumer perceptions towards a more environmentally friendly option.

Enel Emerges as Strongest Brand

Enel, one of the world's leading integrated electricity and gas operators, emerged as the strongest brand this year with a brand strength index (BSI) score of 82.8 and a brand rating of AAA-. Enel has undergone a strategic repositioning and brand refresh, successfully establishing itself as a consumer focused and environmentally-friendly energy provider as well as a considerate employer.

The brand also expanded its global presence through the consolidation of its rebranding process initiated in 2016, and the launch of many flagship initiatives around innovation and sustainability. Examples include the opening of Innovation Hubs in San Francisco, Tel Aviv, Moscow or Madrid, the massive deployment of EV charging infrastructure in Italy or the launch of pioneer nanotechnology for wastewater treatment in Latin America. In addition, the brand boosted its capability to deliver value on new services with the acquisitions of Demand Energy and Enernoc, two leading US-based providers of smart energy solutions.

The second strongest utility brand behind Enel, with a brand strength score of 82.4 and a brand rating of AAA-, is Saudi Electricity Company. The brand also grew 62% in value to US\$1.9 billion, jumping from 41st to 19th in the table, which can be attributed to the expansion of their service to 502,000 new customers and 150 new residential communities.

Top 10 Strongest Brands

	BSI Score 82.8
	BSI Score 82.4
	BSI Score 82.2
	BSI Score 79.0
	BSI Score 77.7
	BSI Score 77.1
	BSI Score 76.5
	BSI Score 76.5
	BSI Score 75.7
	BSI Score 75.1

Brand Finance Utilities 50 (USD m).

Top 50 most valuable utilities brands 1-50

Rank 2018	Rank 2017	Brand name	Country	Brand value (USD m) 2018	% change	Brand value (USD m) 2017	Brand rating 2018	Brand rating 2017
1	New	State Grid	China	40,944	-	-	AA+	-
2	2	EDF	France	9,869	+19%	8,268	AA+	AA+
3	3	Enel	Italy	8,608	+8%	7,936	AAA-	AAA-
4	1	Engie	France	8,386	-17%	10,078	AA	AA
5	4	KEPCO	South Korea	5,035	+16%	4,353	AAA-	AA+
6	New	Innogy	Germany	4,068	-	-	A+	-
7	5	Iberdrola	Spain	3,857	-7%	4,126	AA+	AAA-
8	8	SSE	United Kingdom	3,666	+9%	3,367	AA-	AA+
9	10	TEPCO	Japan	3,630	+16%	3,132	AA-	AA-
10	6	Veolia	France	3,265	-12%	3,717	AA-	AA+
11	New	Uniper	Germany	🔒	🔒	🔒	🔒	🔒
12	9	Endesa	Spain	🔒	🔒	🔒	🔒	🔒
13	15	E.ON	Germany	🔒	🔒	🔒	🔒	🔒
14	16	Exelon	United States	🔒	🔒	🔒	🔒	🔒
15	11	DUKE ENERGY	United States	🔒	🔒	🔒	🔒	🔒
16	13	gasNatural Fenosa	Spain	🔒	🔒	🔒	🔒	🔒
17	19	KOGAS	South Korea	🔒	🔒	🔒	🔒	🔒
18	12	EDP	Portugal	🔒	🔒	🔒	🔒	🔒
19	41	Saudi Electricity Company	Saudi Arabia	🔒	🔒	🔒	🔒	🔒
20	28	Waste Management	United States	🔒	🔒	🔒	🔒	🔒
21	14	British Gas	United Kingdom	🔒	🔒	🔒	🔒	🔒
22	25	Tenaga Nasional	Malaysia	🔒	🔒	🔒	🔒	🔒
23	23	Southern Company	United States	🔒	🔒	🔒	🔒	🔒
24	21	Vattenfall	Sweden	🔒	🔒	🔒	🔒	🔒
25	20	National Grid	United Kingdom	🔒	🔒	🔒	🔒	🔒
26	18	Chubu	Japan	🔒	🔒	🔒	🔒	🔒
27	17	PG&E	United States	🔒	🔒	🔒	🔒	🔒
28	New	GD Power Development	China	🔒	🔒	🔒	🔒	🔒
29	24	EnBW	Germany	🔒	🔒	🔒	🔒	🔒
30	31	Kansai	Japan	🔒	🔒	🔒	🔒	🔒
31	22	DOMINION	United States	🔒	🔒	🔒	🔒	🔒
32	32	Florida Power & Light	United States	🔒	🔒	🔒	🔒	🔒
33	New	Datang Power	China	🔒	🔒	🔒	🔒	🔒
34	46	Kyushu Electric Power	Japan	🔒	🔒	🔒	🔒	🔒
35	36	Edison International	United States	🔒	🔒	🔒	🔒	🔒
36	44	Tohoku Electric Power	Japan	🔒	🔒	🔒	🔒	🔒
37	30	PSEG	United States	🔒	🔒	🔒	🔒	🔒
38	42	Edison	Italy	🔒	🔒	🔒	🔒	🔒
39	New	CGN	China	🔒	🔒	🔒	🔒	🔒
40	29	Xcel Energy	United States	🔒	🔒	🔒	🔒	🔒
41	New	Dong Energy	Denmark	🔒	🔒	🔒	🔒	🔒
42	New	Fortis	Canada	🔒	🔒	🔒	🔒	🔒
43	43	Berkshire Energy	United States	🔒	🔒	🔒	🔒	🔒
44	49	CLP	China (Hong Kong)	🔒	🔒	🔒	🔒	🔒
45	39	Scottish Power	Spain	🔒	🔒	🔒	🔒	🔒
46	New	NEXtera ENERGY	United States	🔒	🔒	🔒	🔒	🔒
47	38	Direct Energy	United States	🔒	🔒	🔒	🔒	🔒
48	50	Republic Services	United States	🔒	🔒	🔒	🔒	🔒
49	40	conEdison	United States	🔒	🔒	🔒	🔒	🔒
50	37	DTE Energy	United States	🔒	🔒	🔒	🔒	🔒



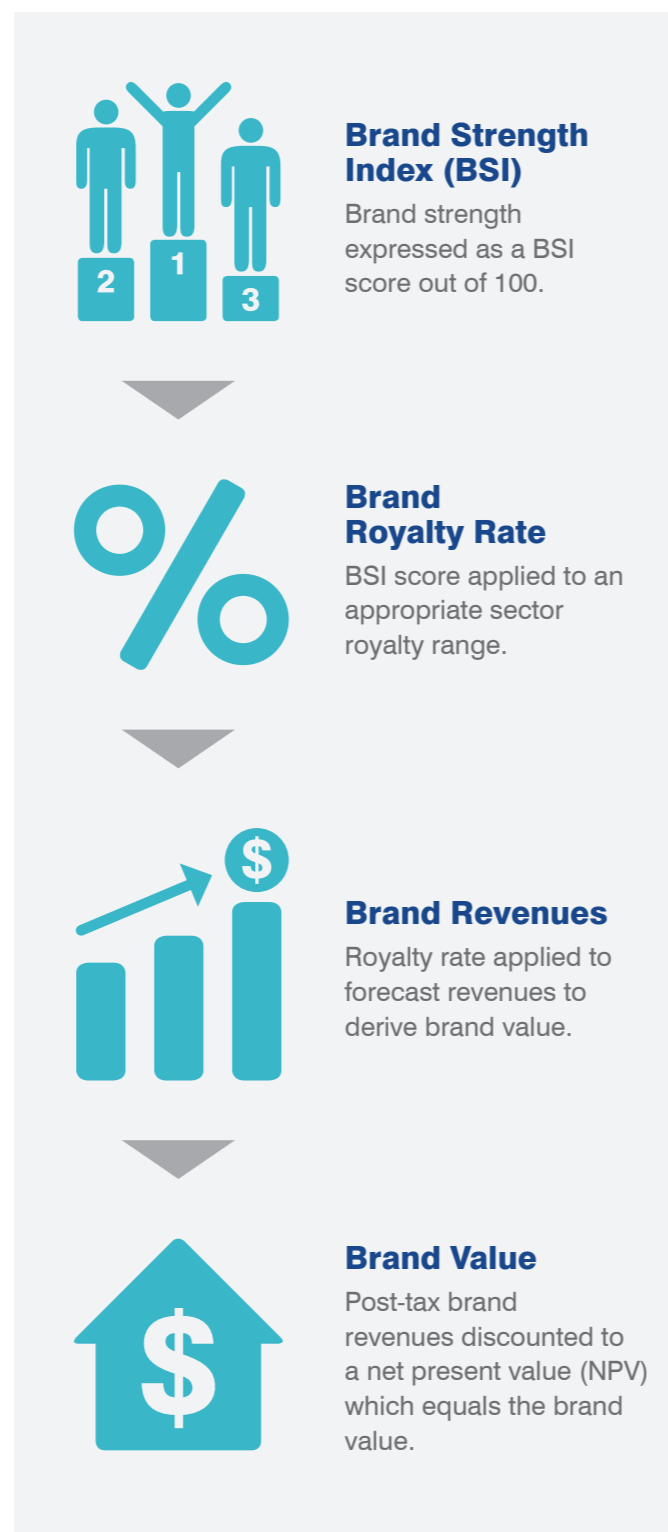
Methodology.

Brand Finance calculates the values of the brands in its league tables using the Royalty Relief approach – a brand valuation method compliant with the industry standards set in ISO 10668.

This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a 'brand value' understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

The steps in this process are as follows:

- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance of brand to purchasing decisions. In luxury, the maximum percentage is high, in extractive industry, where goods are often commoditised, it is lower. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database.
- 3 Calculate royalty rate. The BSI score is applied to the royalty range to arrive at a royalty rate. For example, if the royalty range in a sector is 0-5% and a brand has a BSI 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 by estimating a proportion of parent company revenues attributable to a brand.
- 5 Determine forecast 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.



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.

What is a Brand Value Report?

Brand Valuation Summary

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

Brand Strength Index

- + Brand strength tracking
- + Brand strength analysis
- + Management KPIs
- + Competitor benchmarking

Royalty Rates

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

Cost of Capital

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

Customer Research

- + Utilities
- + Insurance
- + Banks
- + Telecoms

For more information regarding our Brand Value Reports, please contact:

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What are the benefits of a Brand Value Report?



Insight

Provide insight as to how the brand is performing vs. key competitors on underlying measures and drivers of brand value and brand strength.



Strategy

Understand where brand value is being generated by region and channel in order to identify areas of opportunity that warrant further investigation.



Benchmarking

Track year-on-year changes to brand value and set long-term objectives against which high-level brand performance can be benchmarked.



Education

Provide a platform of understanding which the company can use to educate employees on the importance of the brand.



Communication

Communicate your brand's success to shareholders, customers, and other strategically selected audiences.



Understanding

Understand and appreciate the value of your brand as an asset of the business.

Consulting Services.

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

- + Branded Business Valuation
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Contribution

2. Analytics: How can I improve marketing effectiveness?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allows an understanding of how brands create bottom-line impact.

- Market Research Analytics +
- Return on Marketing Investment +
- Brand Audits +
- Brand Scorecard Tracking +

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

- Brand Governance +
- Brand Architecture & Portfolio Management +
- Brand Transition +
- Brand Positioning & Extension +

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers, and owners of branded businesses get a better deal by leveraging the value of their intangibles.

- + M&A Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

Brand & Business Value


MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.


FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.


TAX

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.


LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

Communications Services.

We offer a variety of services to help communicate your brand's success.

How we can help

- Press Release**
Assist with the creation of a press release communicating your brand's success.
- CEO Quote**
Supply a quote in recognition of your brand's performance for you to use in external and internal communications.
- Social Media**
Coordinate with your social media activity to communicate your brand's success more effectively.
- Awards**
Produce an accolade plaque and hand-written certificates, personally signed by our CEO, to recognise your brand's performance.
- Advertising**
Allow full use of the Brand Finance logo on your ad designs and create a bespoke digital endorsement stamp for your website and investor relations use.
- Your Brand Value**
Explain and discuss your brand's performance in more depth.


Brand Finance[®]
Strongest Global Brand 2018
Your Brand

Example digital endorsement stamp for use on your website as well as in investor relations and advertising, to recognise your brand's performance.



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Value-Based Communications

We execute strategic communications programmes to optimise the value of your business and to enhance brand perception among stakeholders.

SERVICES

- Research and Insights
- Project Management and Agency Steering
- Content and Channel Strategy
- Integrated Communications Planning and Execution
- Communications Workshops

For more information, contact enquiries@brand-dialogue.co.uk or visit www.brand-dialogue.co.uk

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