



# Exchanges

# 10

# 2018

The annual report on the world's most valuable exchange brands

April 2018

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# Foreword.

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**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](http://www.brandfinance.com)

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

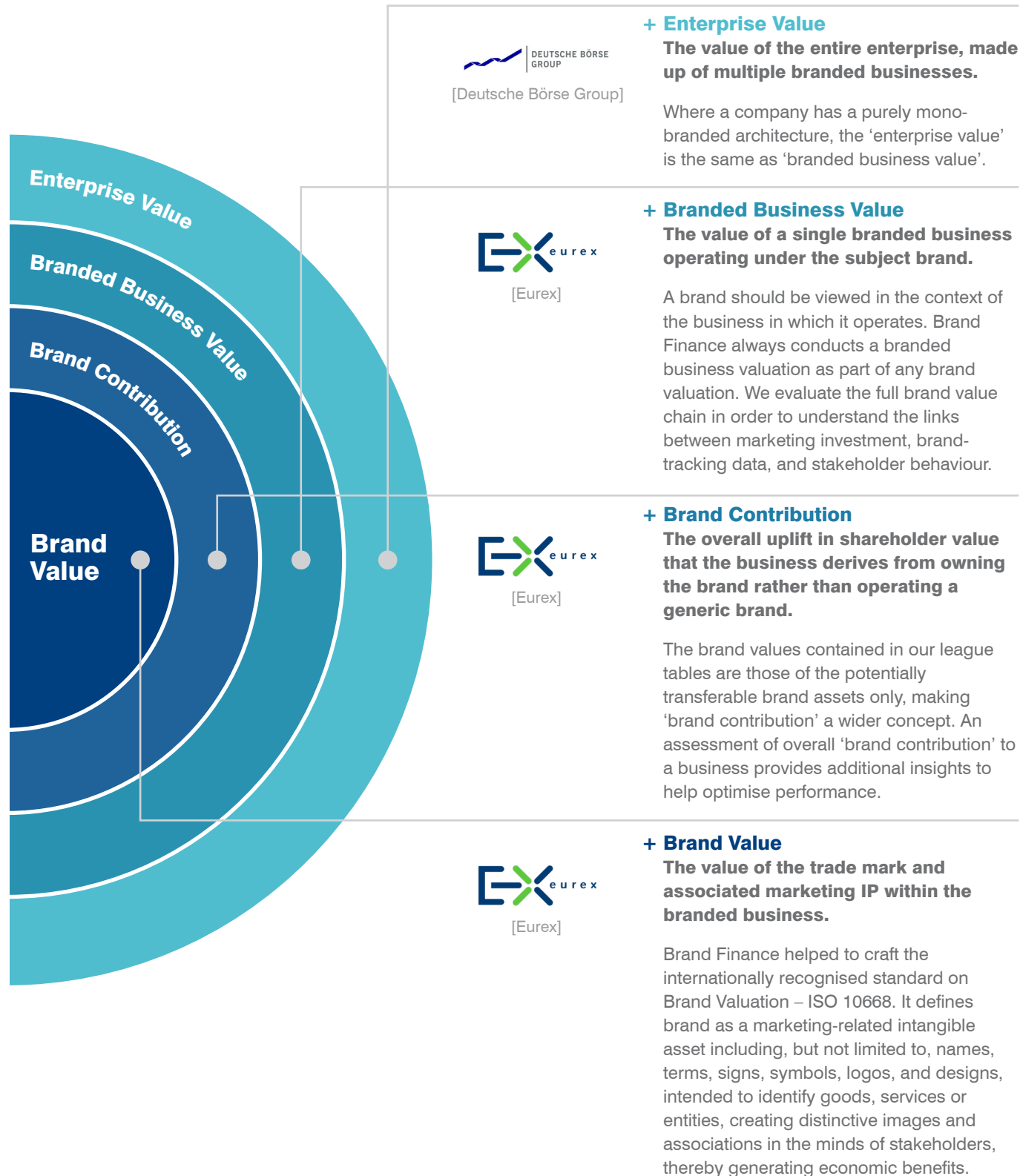
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# Definitions.

## Brand Value



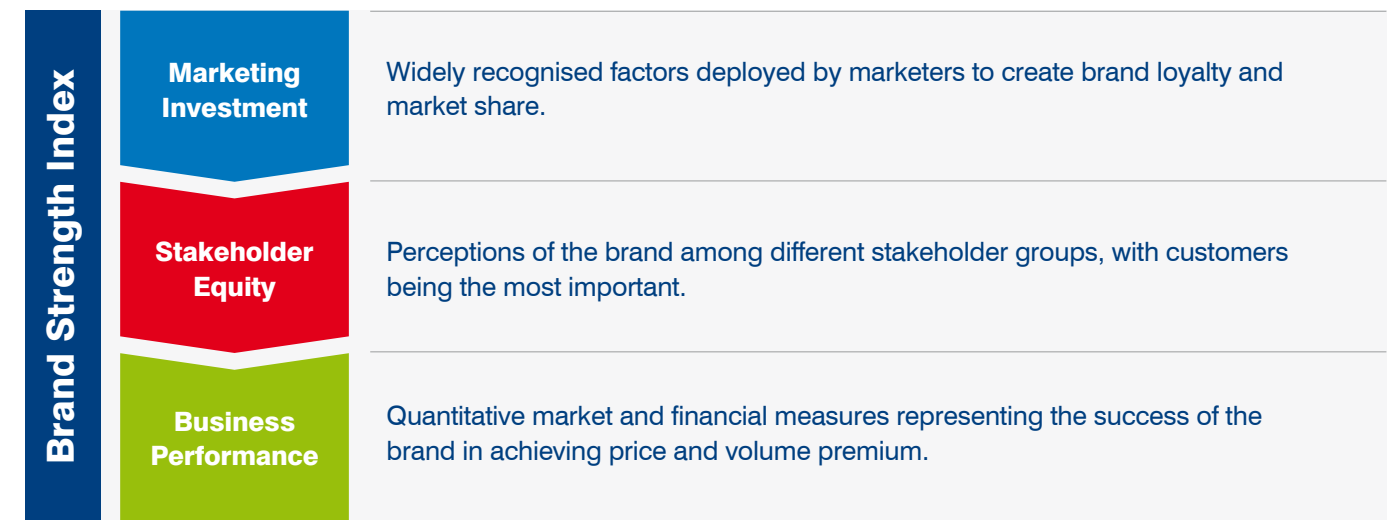
## Brand Strength

**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.



## CME Yields Top Spot

Chicago Mercantile Exchange (CME) remains the world's most valuable exchange brand despite its brand value dropping 1% to US\$1.3 billion, according to the latest report by Brand Finance, the world's leading independent brand valuation and strategy consultancy. This achievement comes on the back of their huge business volumes, with steady growth delivering the highest revenues amongst global asset exchanges.

The second-most-valuable exchange brand in global asset exchanges is the New York Stock Exchange (NYSE, down 10% to US\$1.1 billion) which dropped significant brand value as revenue forecasts fell slightly from last year's very high expectations. Despite this, it remains the exchange brand with the highest brand strength rating.

Brand values across the sector have dropped slightly as a result of increased technological competition causing greater future uncertainty.

In a world where decentralised, peer-to-peer exchange platforms are beginning to arise in the form of cryptocurrencies, the brands of the big global financial exchanges are under threat. The big incumbents will increasingly need to work hard to retain the trust of their key stakeholders when there are new technology options which aspire to end the need to trust middle-men such as these exchanges to conduct financial transactions.

**David Haigh**  
CEO, Brand Finance

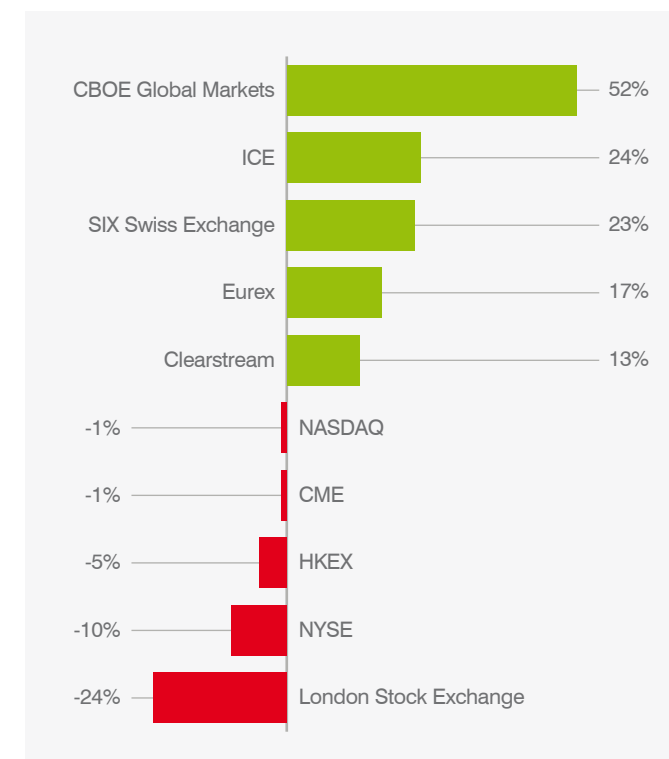
## Big Brands Dominated by Revenues

HKEx (down 5% to US\$1.0 billion) and NASDAQ (down 1% to US\$0.8 billion) retained their third and fourth rankings respectively, but suffered from similarly stagnant brand values for many of the same reasons as CME and NYSE. While NASDAQ – in addition to NYSE and the London Stock Exchange (down 24% to US\$0.4 billion) – are amongst the world's largest in terms of listed market capitalisation, their business models do not typically leverage this listed market capitalisation into revenue with such relative effectiveness as CME or ICE (up 24% to US\$0.8 billion).

## CBOE Brand Value Surges

CBOE Global Markets (up 52% to US\$0.4 billion) enjoyed strong brand value growth as the world's fastest growing exchange brand. This growth was largely in connection with the acquisition of BATS Global Markets and the consequential rebranding from BATS to CBOE Global Markets. While this means that

## Brand Value Change 2017-2018 (%)

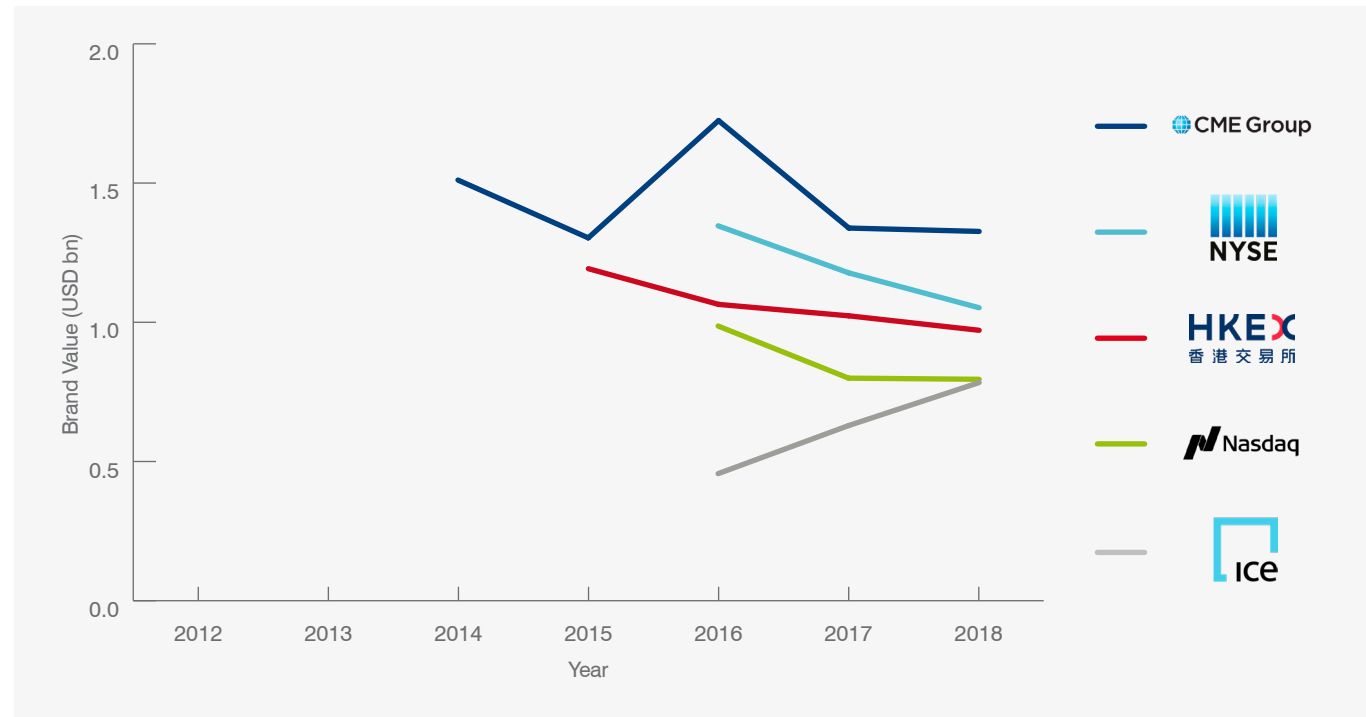


## Top 10 Most Valuable Brands

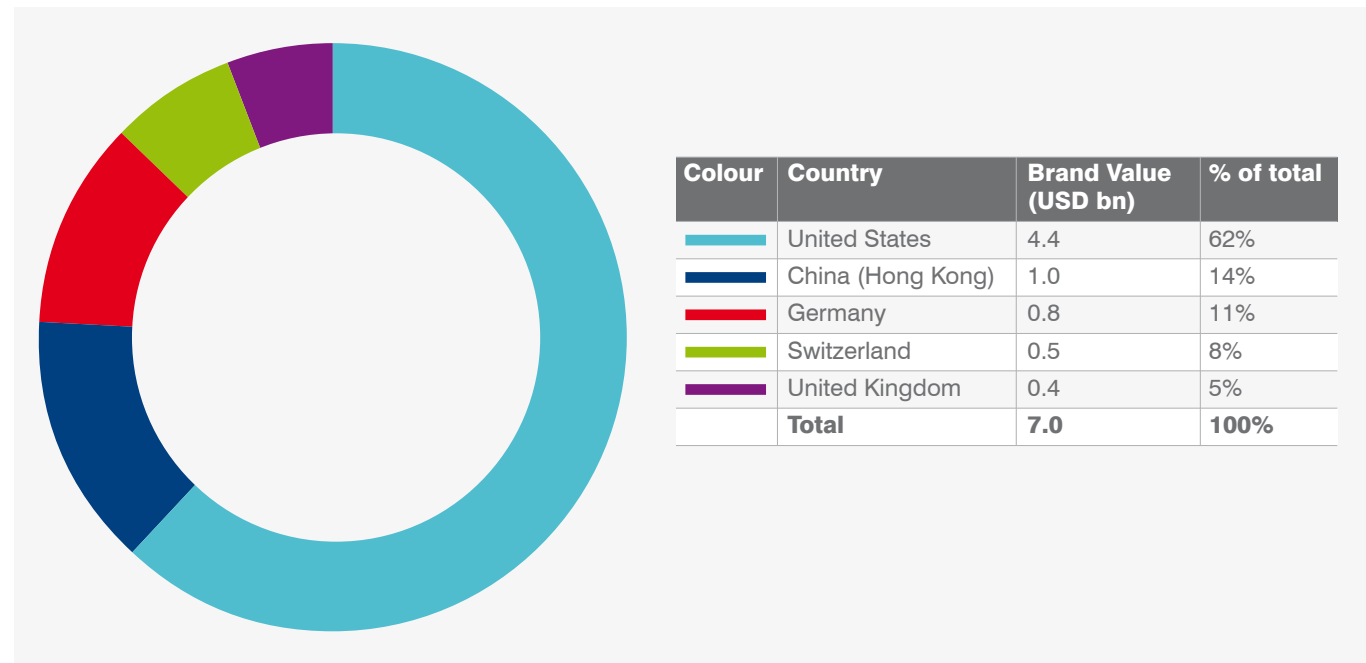
CME Group	<b>1</b>	Rank 2018: <b>1</b> 2017: <b>1</b> →	BV 2018: <b>\$1,328m</b> BV 2017: <b>\$1,340m</b> <b>-1%</b> Brand Rating: <b>AA</b>
NYSE	<b>2</b>	Rank 2018: <b>2</b> 2017: <b>2</b> →	BV 2018: <b>\$1,054m</b> BV 2017: <b>\$1,178m</b> <b>-10%</b> Brand Rating: <b>AA+</b>
HKEX 香港交易所	<b>3</b>	Rank 2018: <b>3</b> 2017: <b>3</b> →	BV 2018: <b>\$973m</b> BV 2017: <b>\$1,022m</b> <b>-5%</b> Brand Rating: <b>AA</b>
Nasdaq	<b>4</b>	Rank 2018: <b>4</b> 2017: <b>4</b> →	BV 2018: <b>\$797m</b> BV 2017: <b>\$801m</b> <b>-1%</b> Brand Rating: <b>AA</b>
ICE	<b>5</b>	Rank 2018: <b>5</b> 2017: <b>5</b> →	BV 2018: <b>\$782m</b> BV 2017: <b>\$629m</b> <b>+24%</b> Brand Rating: <b>AA</b>
SIX	<b>6</b>	Rank 2018: <b>6</b> 2017: <b>7</b> ↑	BV 2018: <b>\$537m</b> BV 2017: <b>\$436m</b> <b>+23%</b> Brand Rating: <b>A</b>
Eurex	<b>7</b>	Rank 2018: <b>7</b> 2017: <b>8</b> ↑	BV 2018: <b>\$445m</b> BV 2017: <b>\$378m</b> <b>+17%</b> Brand Rating: <b>AA</b>
Cboe	<b>8</b>	Rank 2018: <b>8</b> 2017: <b>New</b>	BV 2018: <b>\$395m</b> Brand Rating: <b>AA</b>
London Stock Exchange	<b>9</b>	Rank 2018: <b>9</b> 2017: <b>6</b> ↓	BV 2018: <b>\$368m</b> BV 2017: <b>\$484m</b> <b>-24%</b> Brand Rating: <b>AA+</b>
clearstream	<b>10</b>	Rank 2018: <b>10</b> 2017: <b>New</b>	BV 2018: <b>\$319 m</b> Brand Rating: <b>AA</b>



Brand Value Over Time



Brand Value by Country

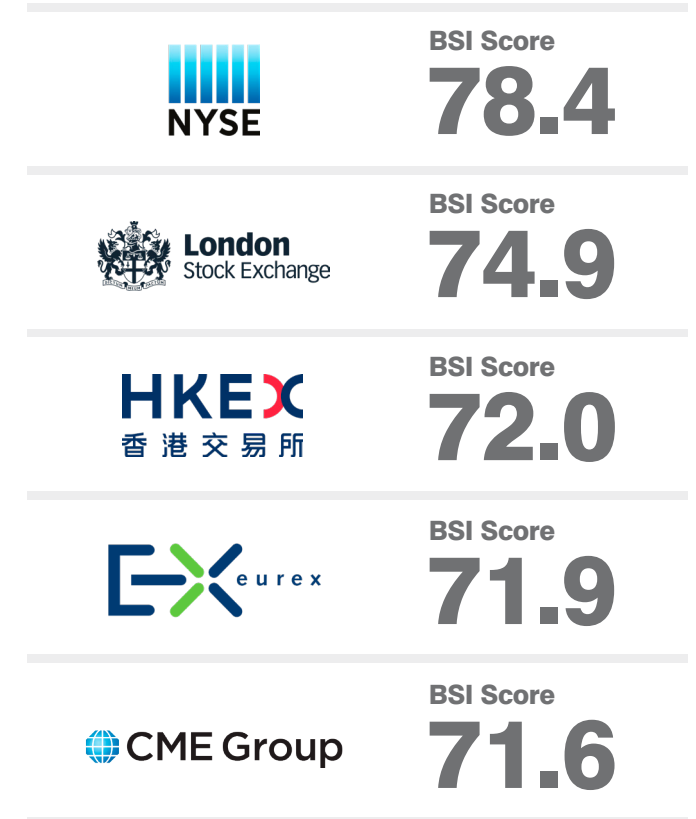


the CBOE brand is now worth more, the termination of the BATS brand caused a significant amount brand value to be lost. The former BATS brand value of US\$327 million, which has been incorporated into the new brand entity, has been lost in the merger and associated rebranding.

London & NYC Remain Strongest

In addition to measuring overall brand value, the Brand Finance Exchanges 10 2018 report also measures brand strength. Brand strength is calculated using financial and non-financial metrics measuring the perceptions of a range of stakeholders, and is used to benchmark brands against their competitors in the sector. This year's strongest exchange brands were the New York Stock Exchange and the London Stock Exchange, which both obtained AA+ ratings. NYSE maintained this rating from last year, but the London Stock Exchange's brand benefited from strong capital raising performance, raising £15bn from 106 initial public offerings in 2017, the highest level for three years.

Top 5 Strongest Brands



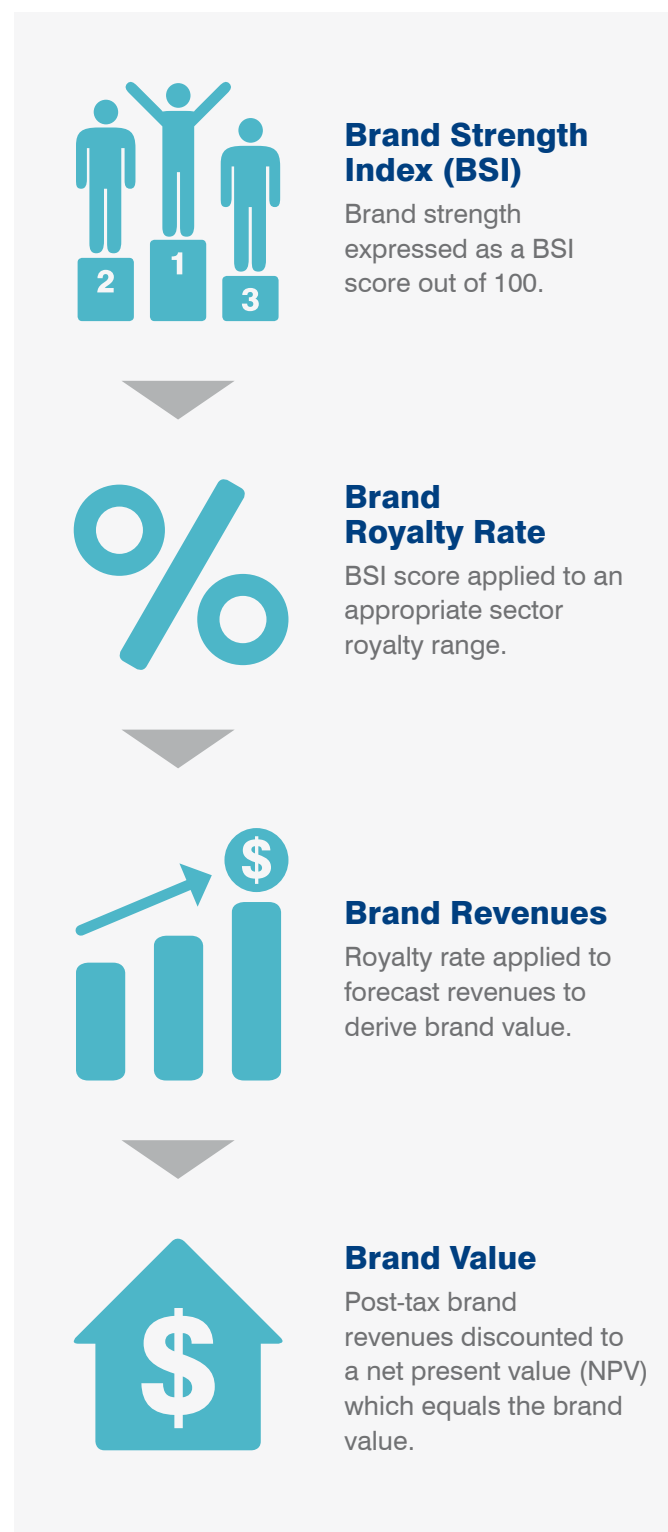
# Methodology.

**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

**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

**Brand Finance**<sup>®</sup>

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.





## Contact us.

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