



Bridging the gap between  
marketing and finance™



# 2011 BrandFinance® Telecoms 500 Summary brand valuation report

Prepared for: -

Brand Finance plc, May 2011

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## section one

Introduction to 2011 BrandFinance® Telecoms 500

# Message from David Haigh, CEO of Brand Finance plc

Dear Sir/Madam,

Welcome to the 2011 *BrandFinance*® *Telecoms 500* report on Telecom brand values (published in *Total Telecom* magazine on Monday 7<sup>th</sup> March 2011).

Brand Finance plc has been producing this study for 3 years in association with *Total Telecom*, and the subject of brand and reputational values has never been more important. Wise management of corporate and product brands is now a major issue for every global CEO. I hope you find our report of interest as a starting point for better brand management.

Brand Finance is the world's leading independent brand valuation firm. We specialize in the global sector and bring unique comparative insight to the performance of global brands worldwide. Each brand has been carefully analyzed by our global team to assess the 'point in time' value of each global brand. The report attached is conducted using publicly available information only, so our conclusions are, through necessity, of high level. It is a 'snapshot valuation' as at 1<sup>st</sup> January 2011. We have used the 'Relief from Royalty' valuation method, a widely recognized Income approach to brand valuation.

This year the ISO 10668 global standard on brand valuation was released, after 3 years of detailed deliberation. I had the privilege of Chairing the UK committee which promulgated the ISO standard, and representing the British Standards Institute in the global committee. The ISO standard is important because for the first time brand valuation has been recognized as a major management discipline. Brand Finance is now one of the very few companies in the world to be certified to produce ISO compliant brand valuations.



# Message from David Haigh, CEO of Brand Finance plc



The ISO standard on brand valuation recognizes a number of different brand valuation approaches and methods, for different technical and strategic purposes. The attached report simply explains them.

We have found that 'Relief from Royalty' valuations are excellent for balance sheet reporting, tax planning and compliance, litigation support and similar technical and legal valuations. The Market and Cost approaches, and the 'Price Premium', 'Volume Premium' and 'Income Split' methods, together with brand substitution analysis are often more useful for brand strategy, brand architecture and complex decision support projects.

When conducting such valuations detailed segmentation, brand equity drivers research and scenario analysis are typically included to provide deeper insight. Many of our clients follow a brand valuation migration path from straight-forward point in time valuations, as shown in this report, to much more complex exercises which explore brand value in granular detail.

If you or one of your colleagues would like to complete an ISO 10668 compliant brand valuation, or explore how to build brand strength and brand value by moving along the brand valuation migration path, I would be delighted to have an initial chat.

Yours sincerely

A handwritten signature in black ink that reads "David Haigh". The signature is written in a cursive, flowing style.

**David Haigh**  
Chief Executive Officer  
Brand Finance plc



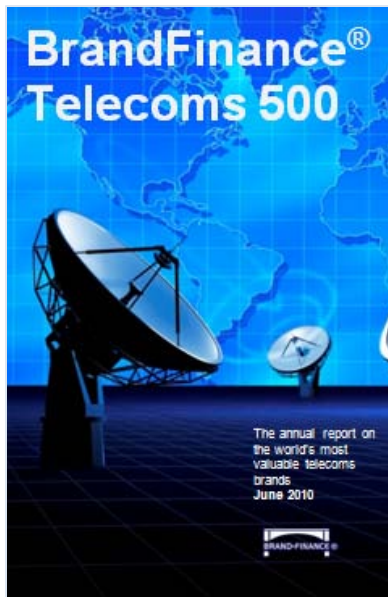
# BrandFinance® Telecoms 500

In association with *Total Telecom*

The *BrandFinance® Telecoms 500*, now in its third year, directly compares the values of the world's leading Telecom brands. It is the only direct comparison of brand value within the Telecom industry.

The *BrandFinance® Telecoms 500* provides an opinion on the point-in-time value of the world's leading telecoms brands. This report illustrates how our methodology, findings and value-based marketing techniques can be used for decision-making and to determine the impact of brand equity on business performance.

Brand Finance has teamed up with *Total Telecom*, the monthly international telecoms magazine, for the third year running to publish the results.



# The Brand Valuation Migration Path

## Published studies

## Bespoke studies



**Summary Brand Valuation Report**

Free

- Based on public information
- Point in time valuation
- Relief From Royalty valuation method
- High level results
- Summary ISO 10668 requirements



**Detailed Brand Valuation Report**

\$4,000

- Disclosure of detailed valuation assumptions
- Comparative performance analysis
- Commentary on brand rating
- Brand rating certificate
- Full ISO 10668 standard text



**Strategic Brand Valuation**

Price variable

- ISO 10668 compliant valuation
- Brand equity analysis
- Visual identity audit
- Trademark and brand IP audit
- Detailed segmentation by geography, product and consumer type
- Strategy recommendations



**Scenario Based Valuation**

Price variable

- Multiple scenario modelling
- Marketing budget analysis
- Trade off research
- 'What if?' analysis
- Brand extension analysis
- Decision support



**Brand Valuation Scorecard**

Price variable

- Periodic reporting
- Balanced scorecard of brand marketing and finance KPI's
- Intranet based
- Econometric and statistical analysis
- Brand management support



## sectiontwo

Global results













## *Excluded from sample report*

*Additional sections included in the full report :*

*Top 10 most valuable telecoms brands in [relevant country]*

*Top 10 most valuable telecoms brands in [relevant region]*

# Most Valuable Global Telecoms Brands

Rank 2011	Rank 2010	Brand	Brand Value 2011	Brand Value 2010	Enterprise Value 2011	Enterprise Value 2010	Brand Value/Enterprise Value 2011	Brand Value/Enterprise Value 2010	Brand Rating 2011	Brand Rating 2010
1	1		30,674	28,995	195,989	178,604	16%	16%	AAA+	AAA
2	2		28,884	26,585	235,987	229,793	12%	12%	AA+	AA+
3	3		27,293	23,029	571,640	196,293	5%	12%	AA	AA
4	5		19,317	18,673	170,543	153,077	11%	12%	AA	AA+
5	6		18,622	18,352	111,581	120,119	17%	15%	AA+	AA
6	10		14,935	9,666	142,731	203,347	10%	5%	AA	AA+
7	8		11,667	11,480	90,446	110,003	13%	10%	AA-	AA+
8	9		11,553	10,126	76,498	140,070	15%	7%	AA	AA
9			10,338	8,802	60,334	79,787	17%	11%	AA	AA+
10			9,801	8,187	73,144	64,997	13%	13%	AA+	AA+
		Your company here								

# Most Valuable Telecoms Brand by Sector

Cellular Telecoms &  
Data



Brand Value **26,819**  
Brand Rating **AAA+**

Telecoms Equipment



Brand Value **11,667**  
Brand Rating **AA-**

Telecoms Infrastructure



Brand Value **10,706**  
Brand Rating **AA**

Peripherals



Brand Value **10,706**  
Brand Rating **AA**

Fixed Line



Brand Value **28,884**  
Brand Rating **AA+**

Broadband



Brand Value **24,360**  
Brand Rating **AAA**

Telecoms Services



Brand Value **10,706**  
Brand Rating **AA**







## sectionthree

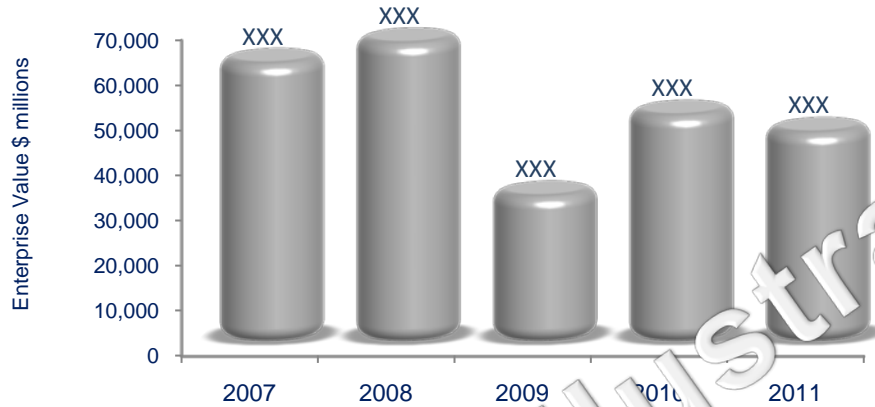
[Name of company] results

# Valuation Results

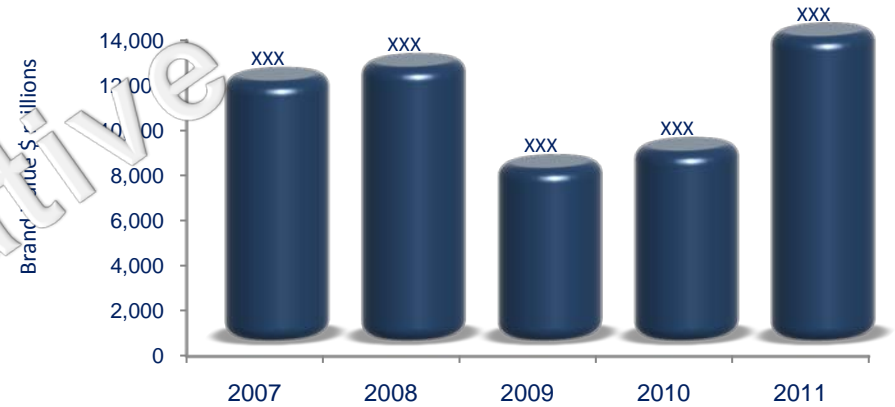
Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**

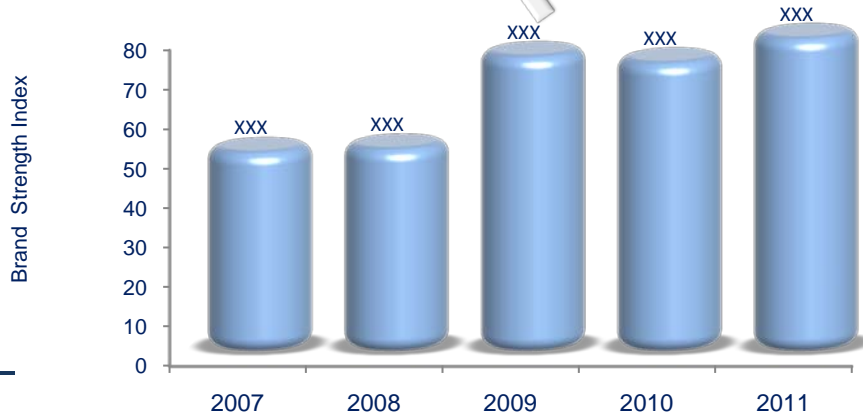
## Enterprise Value



## Brand Value



## Brand Strength Index



# Valuation Schedule & Assumptions

Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**



TOTAL BRAND VALUE  
**XXXX**

VALUE IN EXPLICIT PERIOD  
**XXXX**

VALUE IN PERPETUITY  
**XXXX**

CORPORATE VALUE  
**XXXXX**

DISCOUNT RATE	XXXX	XXXX	REVENUE FORECAST CAGR
TAX RATE	XXX	XXXX	ROYALTY RATE
PERPETUITY RATE	XXXX	XXXX	BRAND SPLIT

Illustrative

BRAND SPLIT %  
 REVENUE growth %  
 ROYALTY RATE  
 BRAND CONTRIBUTION  
 TAX  
 DISCOUNT FACTOR  
 NPV

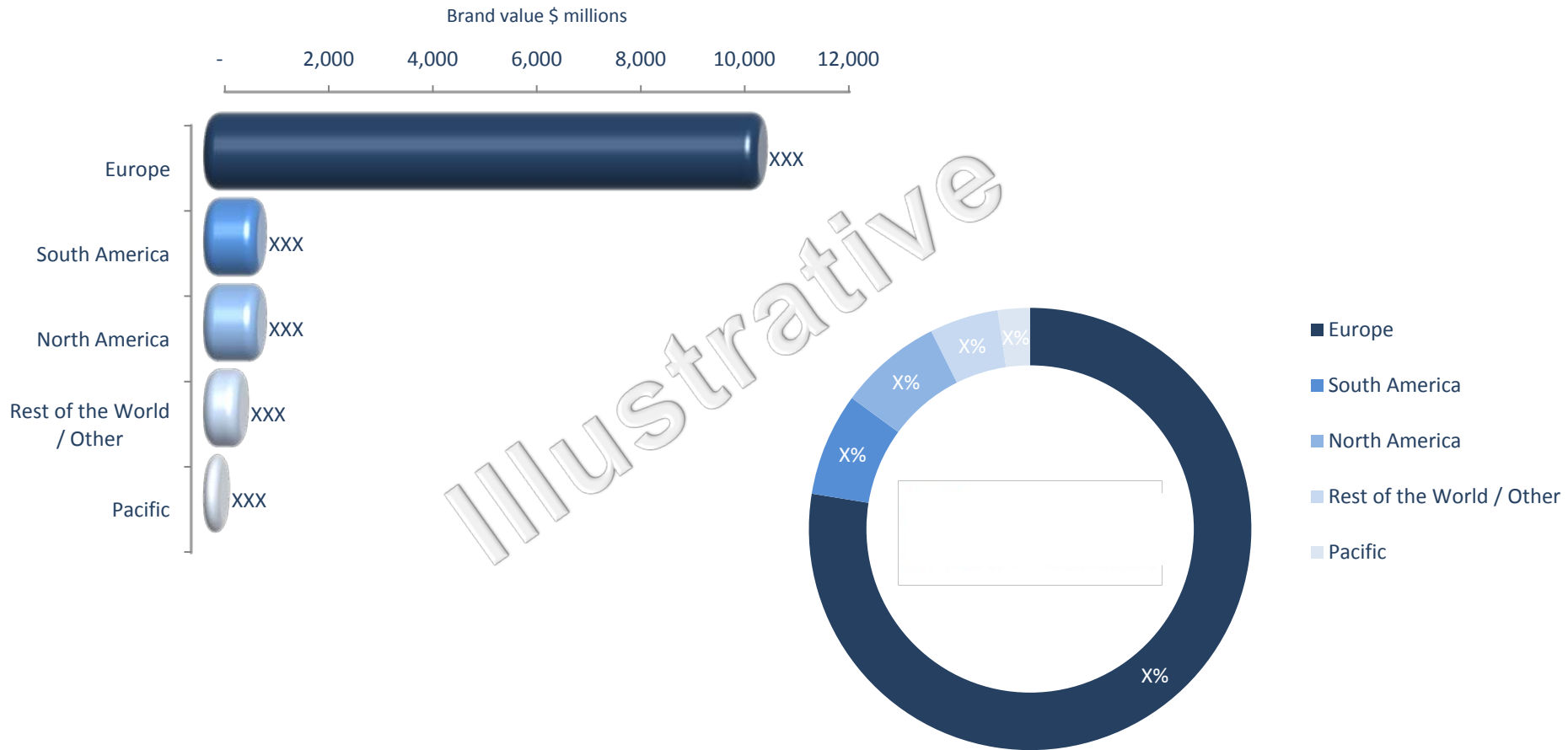
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015



# Regional brand value segmentation

Parent Company: XXXXXX  
 Domicile: XXXXXX

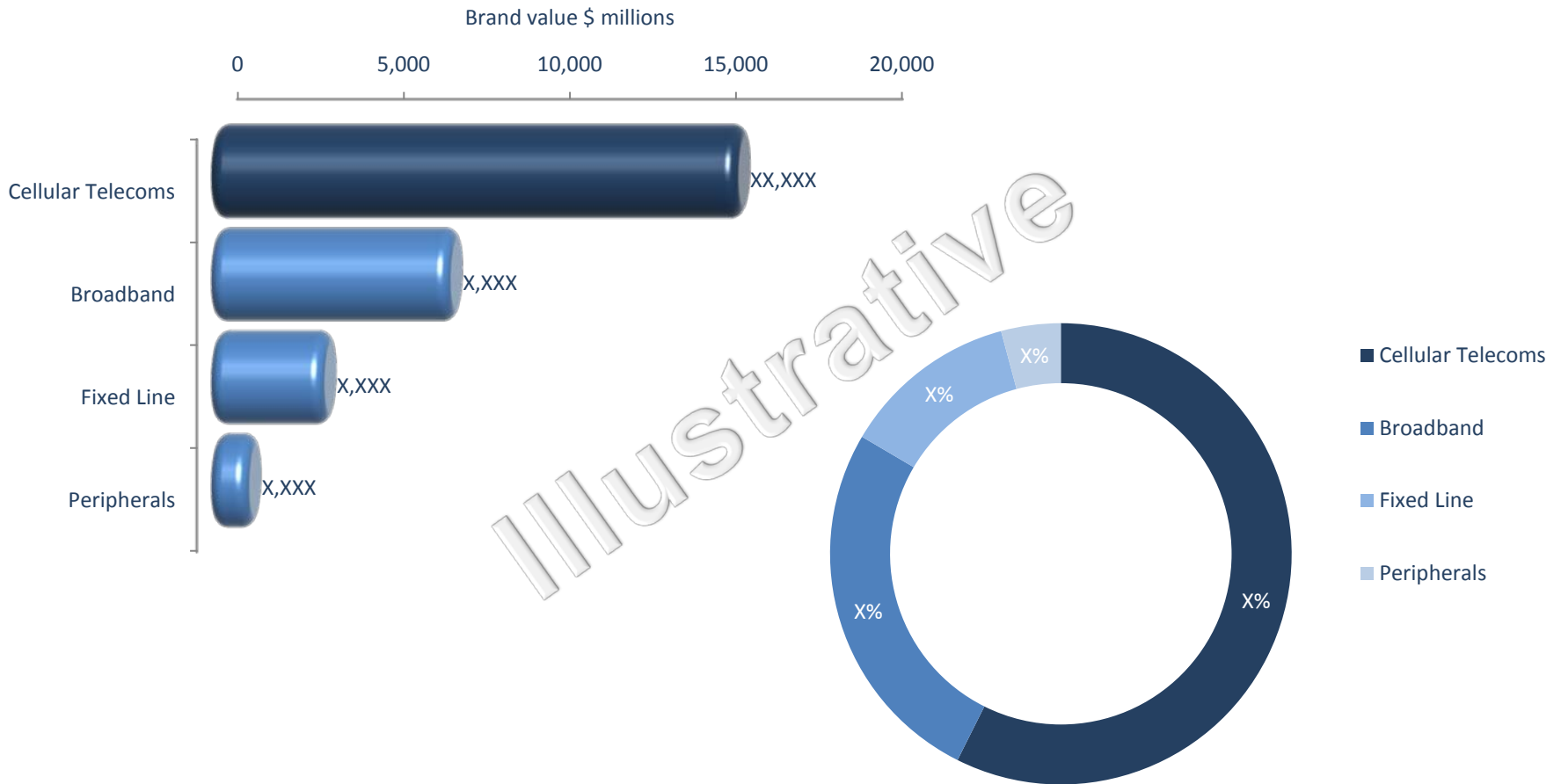
Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**



# Product brand value segmentation

Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**



# Value reconciliation (2010 to 2011)

Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**














Valuation Comparison with Last Year	Last Historical Revenue	Last Forecasted Revenue	Brand Split	Royalty Rate	Perpetuity Rate	Discount Rate	Tax Rate	Corporate Value	Brand Value	Effective Change	% Change
2010 Brand Finance Valuation	X	X	X	X	X	X	X	X	X	X	X
Change in Revenue	X	X	X	X	X	X	X	X	X	X	X
Change in Brand Split	X	X	X	X	X	X	X	X	X	X	X
Change in Royalty Rate	X	X	X	X	X	X	X	X	X	X	X
Change in Perpetuity Rate	X	X	X	X	X	X	X	X	X	X	X
Change in Discount Rate	X	X	X	X	X	X	X	X	X	X	X
Change in Tax Rate	X	X	X	X	X	X	X	X	X	X	X
Change in Corporate Value	X	X	X	X	X	X	X	X	X	X	X
2011 Brand Finance Valuation	X	X	X	X	X	X	X	X	X	X	X



# Change in $\beta$ BrandBeta® Index

Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**

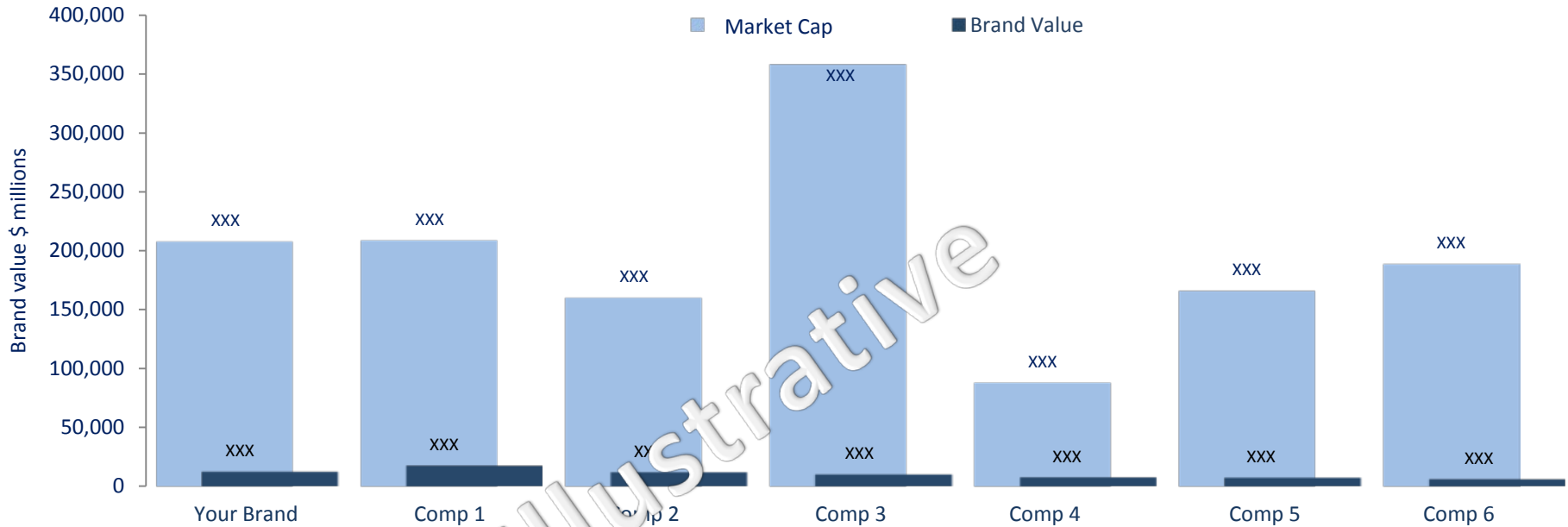
Financial Measures		Security/ Risk Measures		Brand Equity Measures		Brand Rating	
Net Revenue		Visual Identity		Function			
Forecasted Growth %		ESG Score		Function			
Net Income		GMI Governance		Conduct		AAA+	
Margin %		Credit Rating		Loyalty			

Illustrative

# Competitor review

Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**

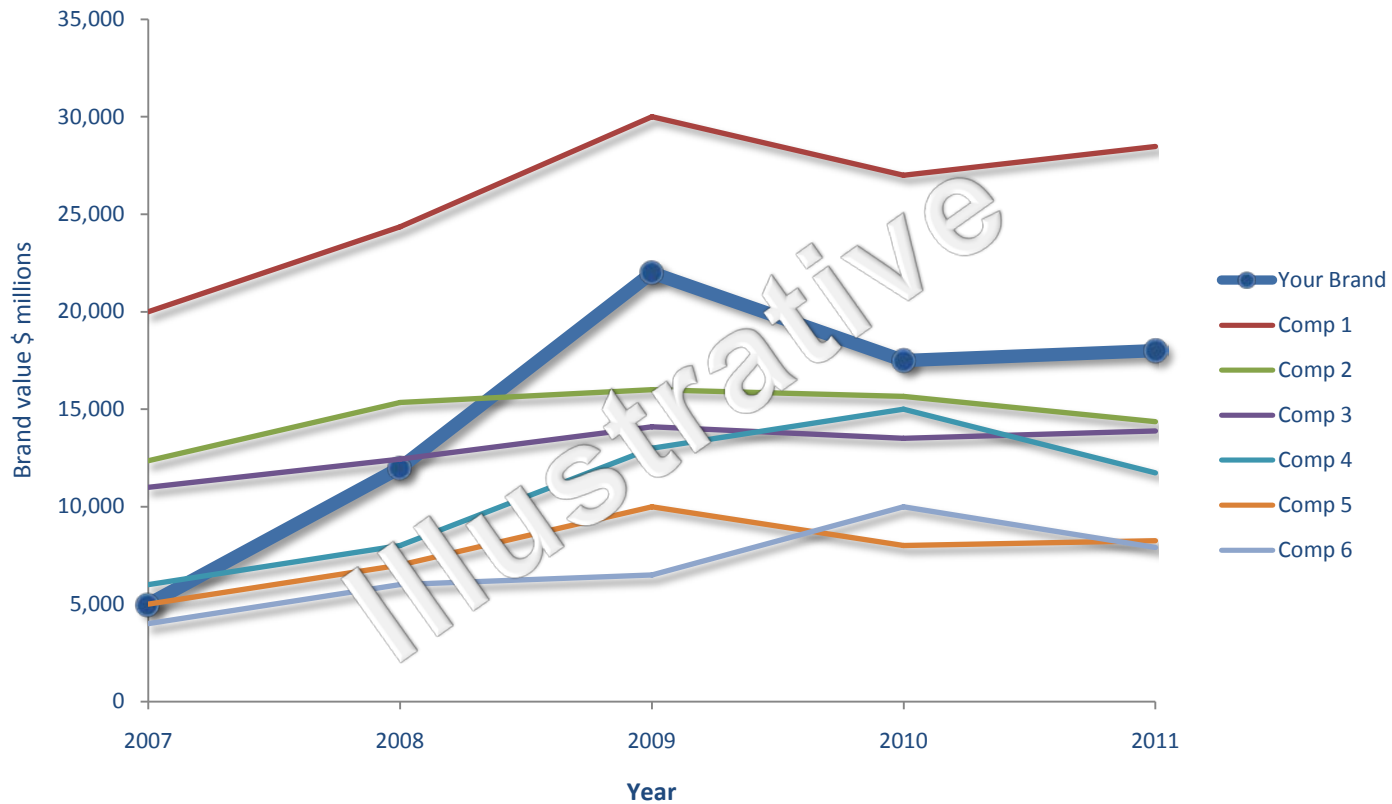


Brand Value	X	X	X	X	X	X
Market Cap	X	X	X	X	X	X
Global Rank	X	X	X	X	X	X
BV/MC	X%	X%	X%	X%	X%	X%

# Competitor review – historical brand values

Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**

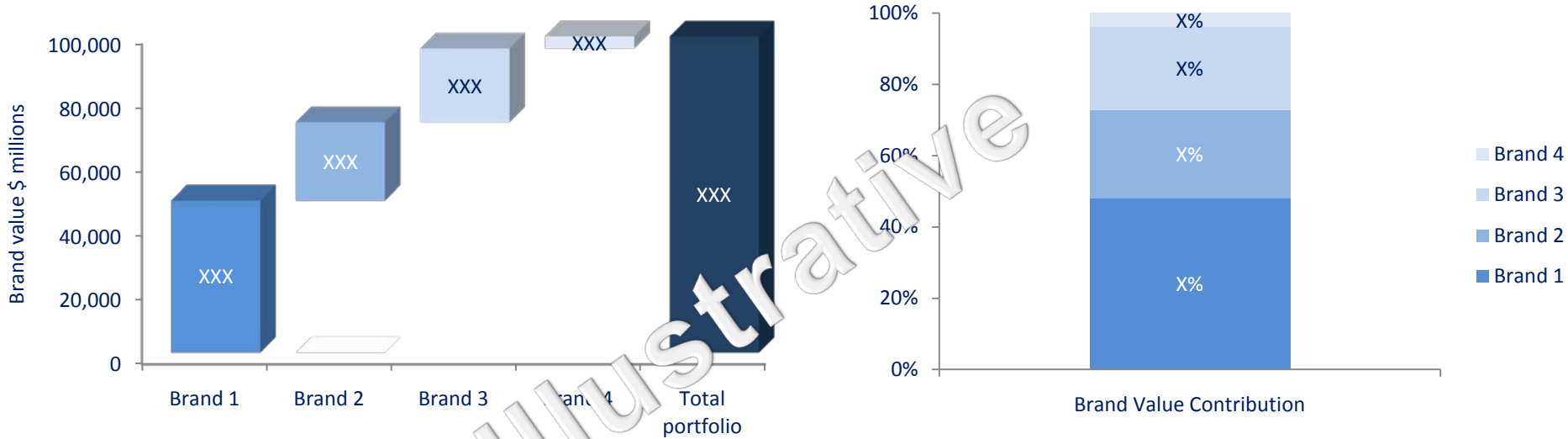




# Portfolio value

Parent Company: XXXXXX  
 Domicile: XXXXXX

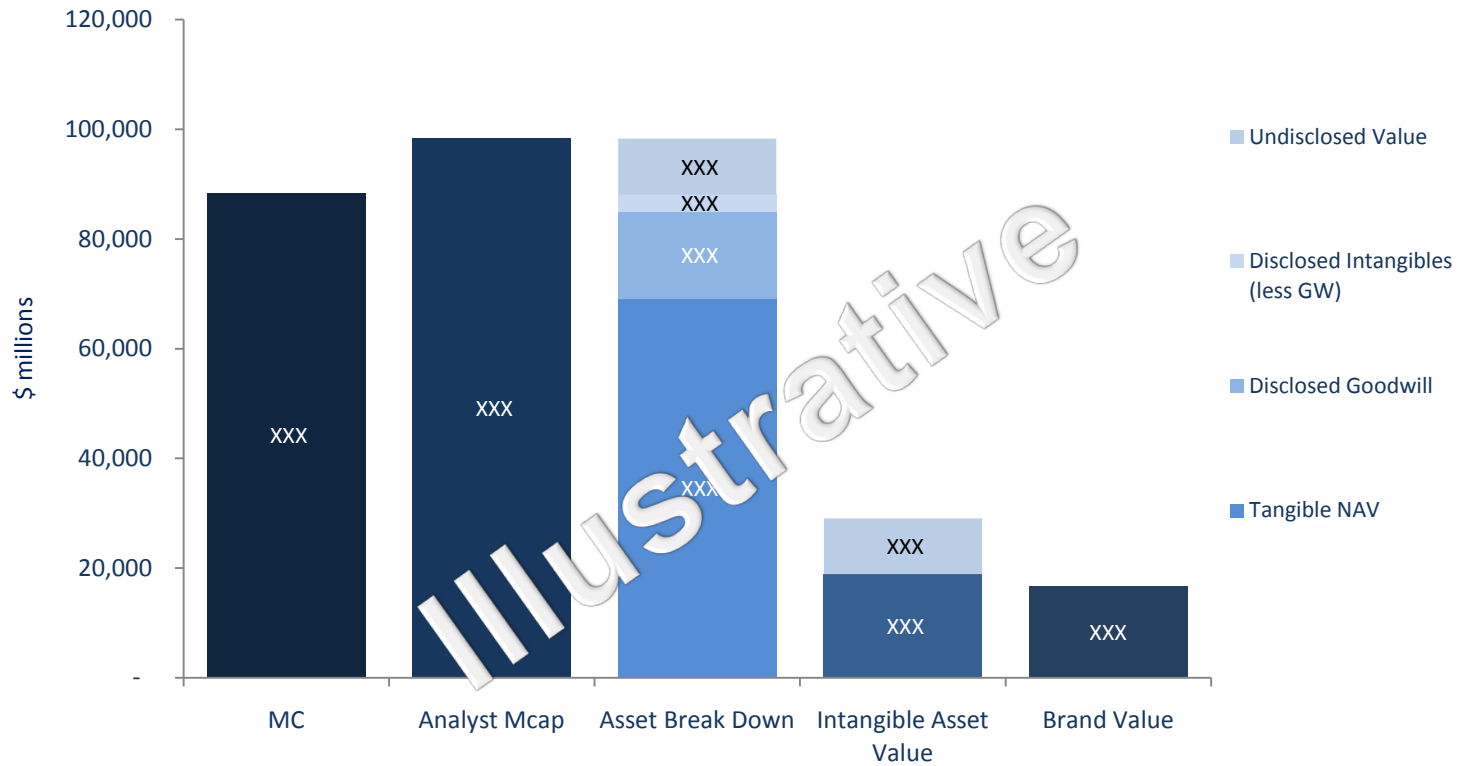
Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**



# Composition of market cap

Parent Company: XXXXXX  
 Domicile: XXXXXX

Brand Value **\$XX,XXX**  
 Market Capitalisation Value **\$XXX,XX**  
 Brand Value/Market Capitalisation **XX%**  
 Brand Rating **XXX**





## sectionfour

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Brand valuation analysis



# Why conduct a more detailed brand valuation study

- How can brand valuation enhance shareholder value?
  - Better understand the value of key customer segments (by geography, product, channel and customer type)
  - Understand the relationship between brand equity and key value drivers in the business model
  - Understand the strengths and weaknesses of the brand compared with key competitors
  - Provide a planning framework for long term strategic marketing investment
  - Create a framework for marketing mix modelling
  - Create the framework for better reporting and managing brand performance (brand scorecard or dashboard)
  - Create a body of information about brand performance for use in investor and banking presentations



# Why value your brand?

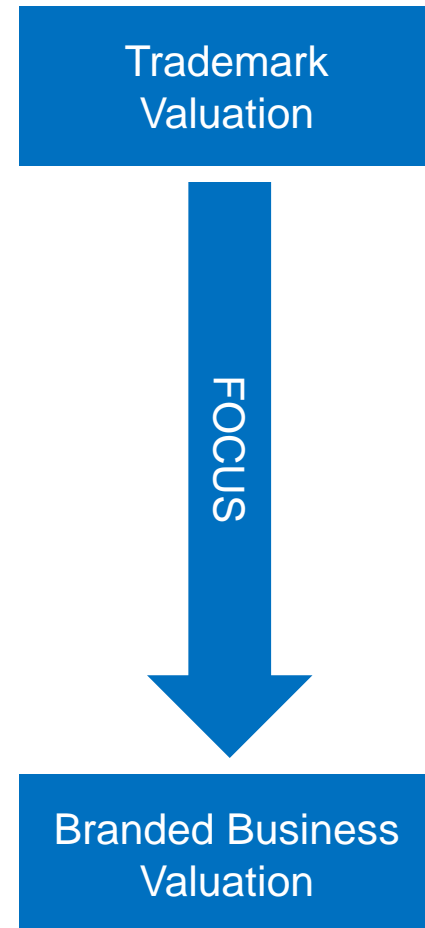
There are a number of different reasons for valuing brands. These range from highly technical to commercially-focused reasons:

## Technical:

- Balance sheet reporting and impairment reviews
- Tax valuations and transfer pricing compliance
- Litigation and dispute resolution

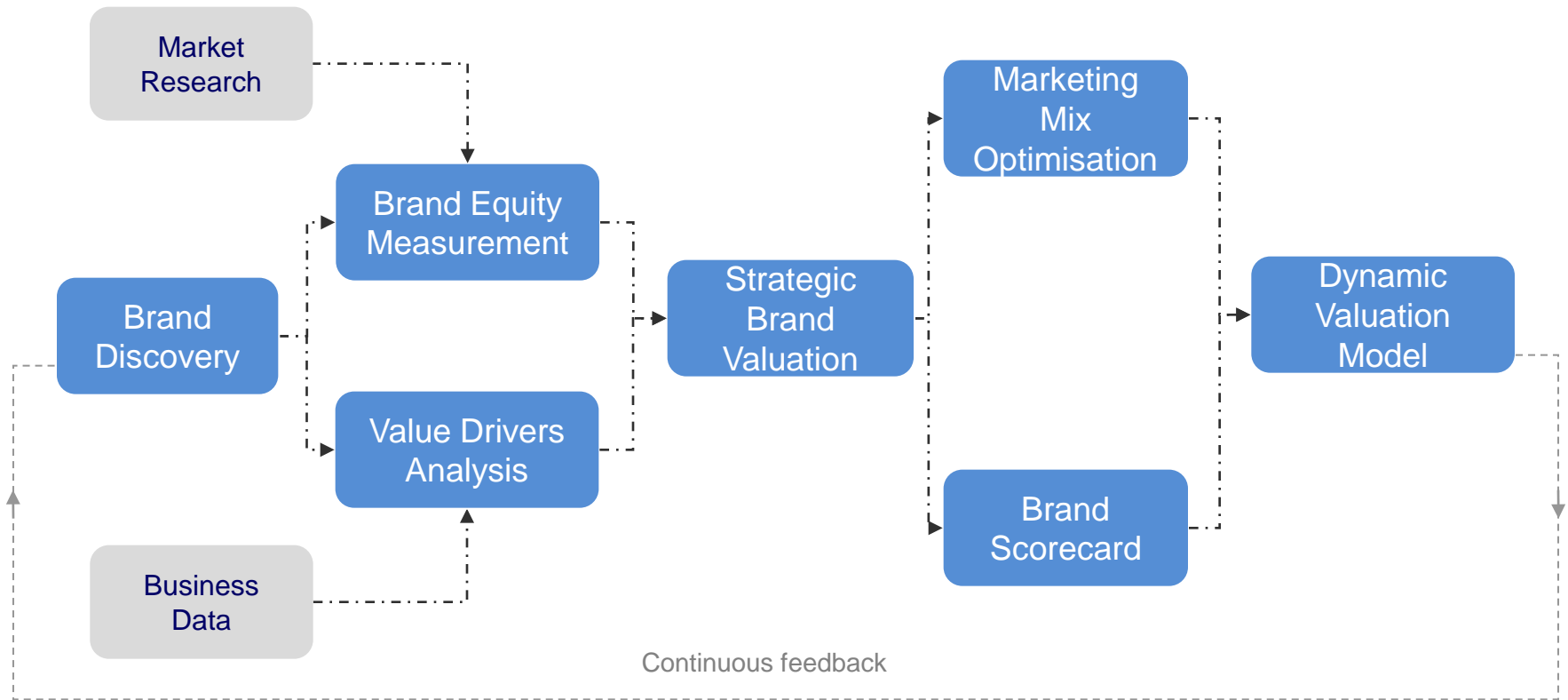
## Commercial:

- M&A and financing
- Licensing and JVs
- Establishment of brand management company
- Brand strategy formulation
- Brand architecture review
- Portfolio management
- Brand performance tracking (scorecards)
- Investor relations



# Brand Finance approach overview – strategic projects

- Brand Finance’s approach has been designed to allow clients to manage their brands more intelligently and deliver improved business results
- Each step in the process is tailored to the client’s specific needs and the level of sophistication required, from ‘high level’ to ‘highly granular’



## Brand Discovery & Value Drivers

## Brand Equity Measurement

## Strategic Brand Valuation

## Marketing Mix Optimisation

## Brand Scorecard

## Dynamic Valuation Model



- What is legal & economic status of the brand?
- What are the most important competitive pressures in the markets the brand is operating in?
- How is marketing budget allocated and how does this compare with the competition?
- What data gaps must be addressed?

- What are key drivers of brand equity?
- What is the relative importance of each driver to my customers (by segment)?
- How do I perform versus my competitors on key drivers?
- How strong is my brand relative to its competitors?

- What is the value of my brand and what does it contribute to business value?
- Which segments of my business are generating the most value?
- How should I allocate my resources?
- How does brand equity link to business results and branded business value?

- What is the optimal marketing mix to maximise short term sales?
- What is the return on my promotional marketing spend?

- Can we connect marketing investments, drivers, & health indicators to financial KPI's and shareholder value?
- How can we track performance over time and capture data systematically for improved decision-making and in-depth understanding of value drivers?

- Which markets, customers, brands and channels will generate the highest return and maximise shareholder value?
- What value is at risk if we fail to adequately support the brand?
- What is the impact on customer behaviour and financial performance of improved customer perception on key drivers?

- Brand Insight report
- Marketing communication review
- Market Attractiveness Index
- Market research review
- Data gap analysis

- Brand Equity Driver analysis
- Brand Strength analysis (Brandbeta® Index)
- Competitor benchmarking

- Business and brand valuation framework
- Brand Valued Added®
- Portfolio analysis
- Budget setting
- Resource allocation matrix

- Demand Driver analysis
- Econometric modelling
- Marketing ROI

- Brand Dashboard (high level snapshot for management)
- Brand Scorecard (in depth diagnostic tool for marketers)

- Strategy selection
- Portfolio management
- Brand architecture
- Resource allocation
- 'Value at risk' analysis
- Scenario modelling

Questions

Services



## sectionfive

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About Brand Finance

# Our services

At Brand Finance, we are entirely focussed on quantifying and leveraging intangible asset value. Our services compliment and support each other, resulting in robust valuation methodologies, which are underpinned by an in-depth understanding of revenue drivers and licensing practice.

## Valuation

We perform valuations for financial reporting, tax planning, M&A activities, joint ventures, IPOs and other transactions. We work closely with auditors, tax authorities and lawyers.

Financial reporting  
Tax and transfer pricing  
Litigation  
Investor relations

## Analytics

Our analytical services help clients to better understand the drivers of business and brand value. Understanding how value is created, where it is created and the relationship between brand value and business value is a vital input to strategic decision making.

Brand equity drivers  
Brand strength analysis  
Brand risk analysis (BrandBeta®)  
Brand scorecards  
Marketing mix modelling  
Marketing ROI

## Strategy

We give marketers the framework to make effective economic decisions. Our value-based marketing service enables companies to focus on the best opportunities, allocate budgets to activities that have the most impact, measure the results and articulate the return on brand investment.

Brand strategy  
Brand architecture  
Brand extension  
Budget setting and allocation  
Brand value added (BVA®)

## Transactions

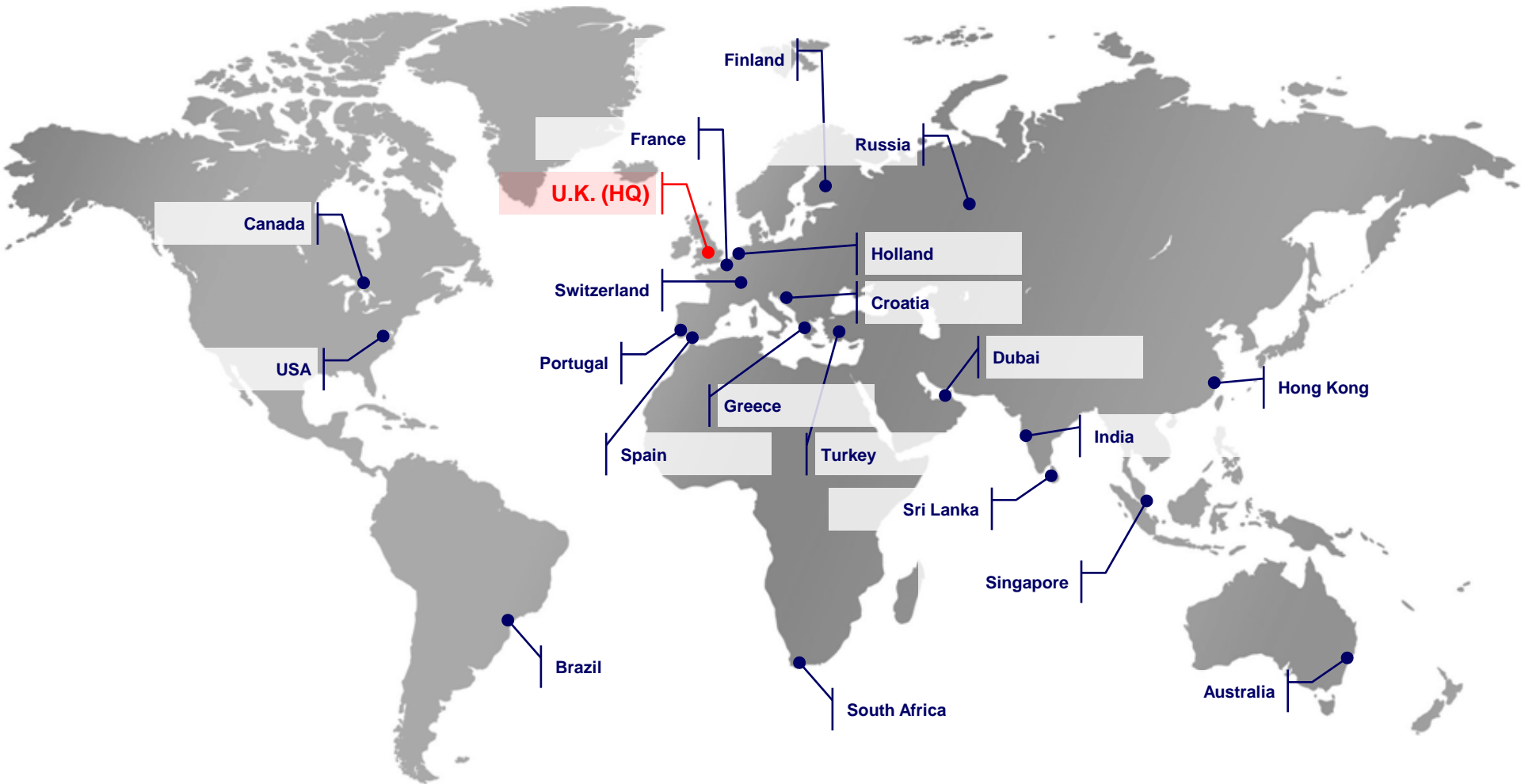
We help private equity companies, venture capitalists and branded businesses to identify and assess the value opportunities through brand and market due diligence and brand licensing.

Brand due diligence  
Brand licensing  
Fundraising



# Our global footprint

With 20 offices worldwide



# Contact details

Brand Finance plc is the leading independent intangible asset valuation and brand strategy firm, helping companies to manage their brands more intelligently for improved business results.

For further enquiries relating to this report, please contact:



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

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Brazil	Gilson Nunes	<a href="mailto:g.nunes@brandfinance.com">g.nunes@brandfinance.com</a>
Canada	Edgar Baum	<a href="mailto:e.baum@brandfinance.com">e.baum@brandfinance.com</a>
Croatia	Borut Zemljic	<a href="mailto:b.zemljic@brandfinance.com">b.zemljic@brandfinance.com</a>
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USA	Elise Neils	<a href="mailto:e.neils@brandfinance.com">e.neils@brandfinance.com</a>

# Our clients

## Blue chip clients



Brand Finance works for a wide range of clients conducting national and international brand valuation and brand strategy assignments. Here is a small selection of the clients we have worked with.

# Our clients

## Telecoms clients



Brand Finance has extensive experience in the telecoms industry and our clients include some of the world's leading brands.

Our work with telecom brands has spanned the full spectrum of our service offering, from marketing and strategy to financial and transactional applications.

# Thought Leadership

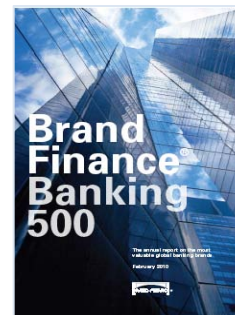
## Global Brand Studies

Every year Brand Finance produces Global Brand Studies, which provide an opinion on the point-in-time value of the strongest and most valuable brands in the world.

Over the years Brand Finance has teamed up with all the major publications to publish the results. Studies include:

- *BrandFinance® Global 500*
- *BrandFinance® Global Intangible Finance Tracker (GIFT™)*
- *BrandFinance® Nation Brands*
- *Sector specific studies (e.g. Banking, Telecoms and Insurance)*

Our studies illustrate the value of brands and the financial impact of a brand on its respective business. Additionally, the studies illustrate how our methodology, findings and value-based marketing techniques can be used for decision-making and to determine the impact of brand equity on business performance.



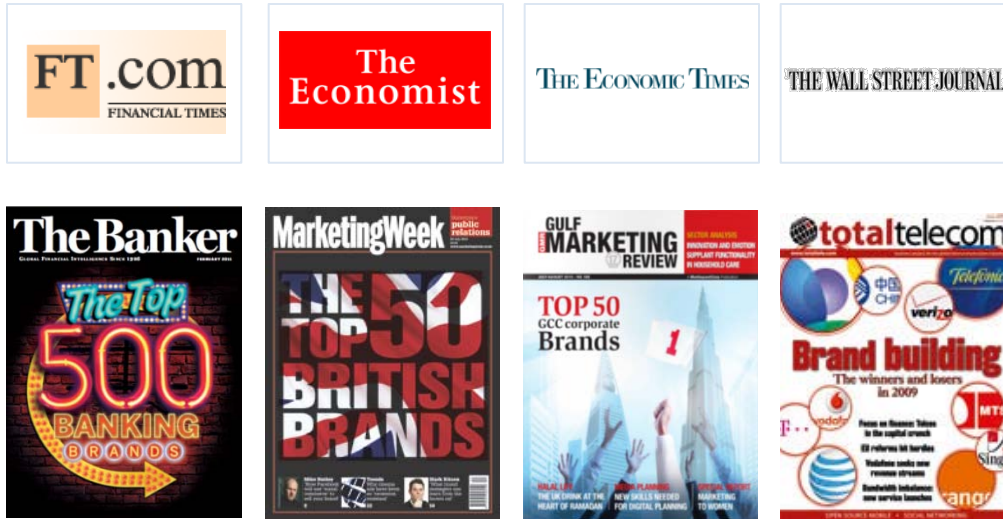
in association with:





# Global recognition

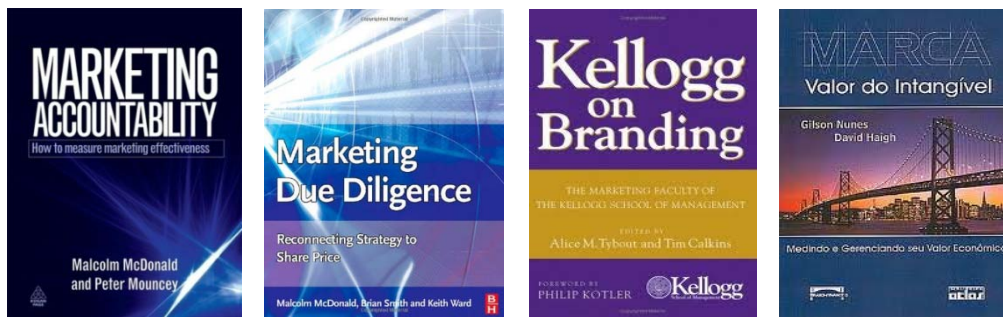
## Global press coverage:



## Media commentators:



## Publications:



# Global recognition

## Investor Relations

The results of our studies are used by leading global brands as a performance benchmark – many including the results in annual financial and sustainability reporting to shareholders and other stakeholders.



### Brand

We have continued to build brand value by delivering a superior, consistent and differentiated customer experience. During the 2010 financial year we evolved our brand positioning to "power to you" emphasising our role of empowering customers to be able to live their lives to the full. It is a further expression of the importance of the customer being central to everything we do and is reinforced in communications substantiating how products and services impact and empower our customers.



BrandFinance global ranking

7<sup>th</sup>

most valuable brand (2009: 8th; 2008: 11th)

We regularly conduct brand health tracking which is designed to measure the performance of the brand in each country and generate insights to manage the brand as effectively as possible. External benchmark studies have shown that Vodafone brand equity has maintained a top ten position in a number of rankings of brands across all industries including the seventh most valuable brand in the world as measured by BrandFinance.



### Value of AEGON's brand



In 2010, AEGON ranked tenth out of 27 insurance companies in Brand Finance's annual Global 500 index of leading brands, up from twelfth the previous year. Brand Finance, a global independent brand consultancy, valued the AEGON brand at EUR 4.0 billion, up from EUR 3.3 billion, in part because of improved market conditions during the year. At EUR 4.0 billion, brand represents approximately 34% of AEGON's enterprise value[1].

### Group Chief Executive's Business Review (continued)

Developed markets

"In this uncertain environment, the strength of the HSBC brand remains one of our most important assets. In 2009, we were named the world's most valuable banking brand by Interbrand and last month we were named number one banking brand by *Brand Finance* for the third year running."



# Technical recognition



Our work is frequently peer-reviewed by independent audit practices and our approach has been accepted by regulatory bodies worldwide.

# Technical recognition

## ISO 10668 global standard for brand valuations

In December 2010, Brand Finance became one of the very few companies in the world to be accredited with the **ISO 10668** global standard for brand valuations.

ISO 10668 is the international norm that sets minimum standard requirements for the procedures and methods used to determine the monetary value of brands.

David Haigh, CEO Brand Finance, was the UK representative on the ISO working party and chaired drafting meetings over a 2 year period to shape ISO 10668 – ‘*Brand valuation – Basic requirements for methods of monetary brand valuation*’

The certification program was developed in collaboration with the *Austrian Standards plus Certification*, which has attested that Brand Finance conducts its brand valuations in accordance with the new standard, which requires three key phases of work:

- IP audit and review (legal review)
- Behavioural analysis (market research review)
- Valuation (financial review)



# Thought Leadership

## Brand Finance Forums



Brand Finance is committed to the development of theoretical and practical issues surrounding brands. As part of this process, we organise a series of events and forums around the world where leading practitioners in the area of brand strategy, brand building and brand valuation come together to share their experiences and to better understand the process by which valuable brands are created.

The Brand Finance Forum has progressively become one of the definitive events in the area of brand valuation and should not be missed by anyone who is serious about maximising the value of their brands and intangible assets.

Raoul Pinnell,  
Ex-Chairman Shell Brands  
International, Switzerland

“ *Understanding the role of the brand in the generation of profit is vital to all businesses. The Brand Finance Forum helped to create a breakthrough for my company.* ”





# appendixone

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Our approach

# IVSC – International Valuation Standards Council

As the established international standard setter for valuation, the IVSC develops and maintains standards for the reporting and disclosure of valuations, especially those that will be relied upon by investors and other third party stakeholders.



In 2006, the IVSC was commissioned to produce a 'Guidance Note on the valuation of intangible assets for IFRS financial reports' by the following bodies:

- The Securities and Exchange Commission (SEC)
- American Institute of Certified Public Accountants (AICPA)
- International Accounting Standards Board (IASB)

Consultation responses received in 2009 and final guidelines have been published as of February 2010

The purpose of this Guidance Note was to:

- Address valuation issues not covered by IFRS
- Codify existing best practice
- Address strengths and weaknesses of different valuation methods
- Improve consistency and reliability of results

# IVSC – Recognised Valuation Methods

There are several different methods available for determining the fair value of intangible assets, each falling within one of the three fundamental approaches identified in current international valuations standards. These are:

## Market Approach

- Comparable market transactions

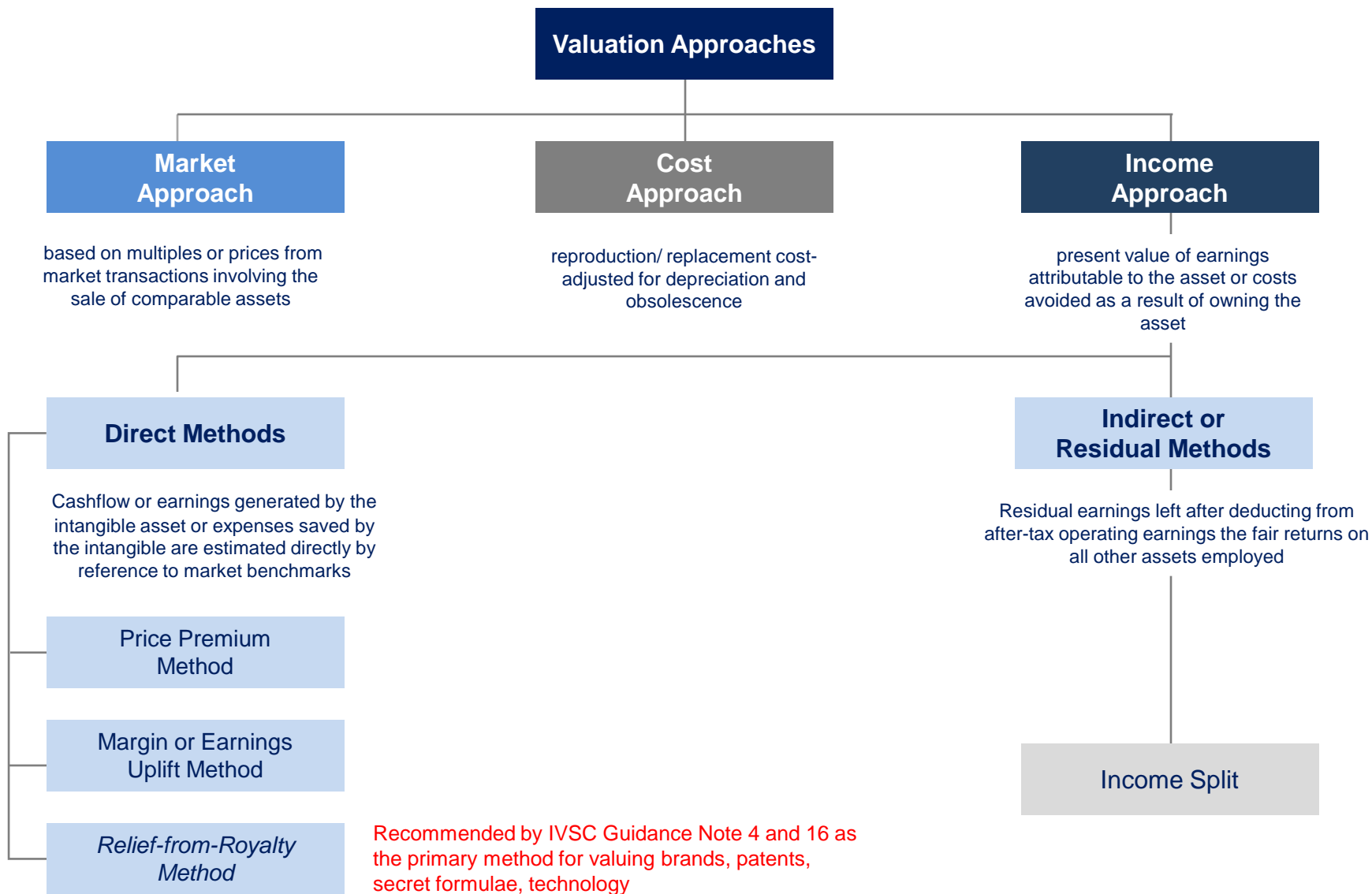
## Cost Approach

- Cost to create
- Cost to recreate

## Income Approach

- Price premium
- Excess margin
- Economic substitution
- Earnings split
- Royalty relief

# IVSC – Recognised Valuation Methods



# ISO 10668 – International Standard for Brand Valuation

ISO (International Organization for Standardization) is the world's largest developer and publisher of International Standards. It is a network of the national standards institutes of 162 countries, one member per country, with a Central Secretariat in Geneva that coordinates the system.



In 2006, *Deutsches Institut für Normung* (DIN) produced a German standard on brand valuation. DIN proposed to ISO to expand this initiative globally and this project was completed in 2010.



The purpose of the ISO Draft Standard 10668 is:

- To create a universal standard for all applications in all territories.
- To create an accepted, transparent methodology which is reproducible.
- To ensure that all important analysis should be included in a brand valuation exercise, namely legal issues, behavioural issues, and financial analysis.

On 20th December 2010, Brand Finance was certified to produce brand valuations in compliance with ISO by *Austrian Standards plus*.



# ISO 10668 – Required Brand Valuation steps



**NOTE:** The BrandFinance® Telecoms 500 brand valuations are based on publicly available data and are indicative only. They follow IVSC guidance but will only comply with ISO 10668 Monetary Brand Valuation Standard when accompanied by detailed Legal and Behavioral analysis

# Introduction to Royalty Relief methodology



- The Royalty Relief approach is based on the assumption that if a company did not own any trademarks it would need to license them from a third party trademark owner instead. Ownership therefore 'relieves' the company from paying a license fee (the royalty) for the use of the third party trademarks
- The royalty relief method involves estimating likely future sales, applying an appropriate royalty rate to them and then discounting estimated future, post-tax royalties, to arrive at a Net Present Value (NPV). This is held to represent the brand value.
- Brand Finance uses the Royalty Relief methodology for three reasons:
  - Firstly, it is the approach that is most recognised by technical authorities worldwide and favoured by accounting, tax and legal users because it calculates brand values by reference to comparable, third-party transactions.
  - Secondly, it ties back to the commercial reality of brands - their ability to command a premium in an arm's length transaction.
  - Finally, because it can be performed on the basis of publicly available financial information.

# Introduction to Royalty Relief methodology



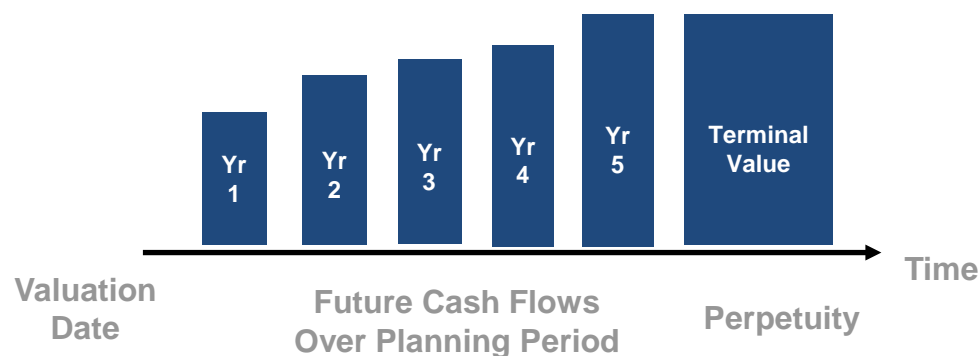
## Five Steps - Royalty Relief Valuation

- |                                |   |
|--------------------------------|---|
| 1. Determine forecast revenues | Determine future revenues attributable to the brand over a five year explicit forecast period. This is done by referencing historic trends, market growth estimates, competitive forces, analyst projections and company forecasts. |
| 2. Assess the Brand Strength   | Determine the strength of the brand using the $\beta$ randBeta® Index.  |
| 3. Establish Royalty Rate      | Review comparable licensing agreements. Analyse margins and value drivers. Establish average royalty rate range for relevant sector. Apply $\beta$ randBeta® Index to royalty rate range to determine royalty rate for the brand.   |
| 4. Determine the Discount Rate | Determine discount rate to calculate the net present value ('NPV') of future brand earnings (accounting for the time value of money and the associated risk).   |
| 5. Brand Valuation Calculation | The NPV of post-tax royalties equals the brand value  |

# Step 1 – Determine forecast revenue

- Obtained historic brand-specific revenues
- Each revenue stream was then classified into nine key product segments:

1. Cellular Telecoms
2. Fixed Line
3. Telecoms Equipment
4. Telecoms Services
5. Peripherals
6. Broadband
7. Telecoms Infrastructure
8. Data



- Revenue forecasts for a five-year period (2011-2015) were created based on IBES forecasts and a perpetuity growth rate determined by reference to GDP growth in geographic regions of operation.
- Revenues attributed to the different sectors are based on publicly available and reported data. In a number of cases this simplifies the breakdown from the possible categories above.
- IBES (Institutional Brokers' Estimate System) is offered on a summary (consensus) level or detailed (analyst-by-analyst) basis. With over 26 data items that are updated as often as five times a day, it is designed to help portfolio managers and analysts identify, manipulate, and analyze exceptional information for over 25,000 equities worldwide.
- Brand Finance uses the IBES forecast for the company to determine the compound annual growth rate (CAGR) of the future years.

## Step 2 - BrandBeta® Index determination

BrandBeta® INDEX 50	MEASURE	KPI	WEIGHT	PROVIDED BY	SCORE
	FINANCIAL MEASURES 50	NET REVENUE	8.3%	BRAND FINANCE	2.5
		FORECASTED GROWTH %	8.3%	BRAND FINANCE	2.5
		NET INCOME	8.3%	BLOOMBERG	2.5
		MARGIN %	8.3%	BLOOMBERG	2.5
	SECURITY/RISK MEASURES 50	VISUAL IDENTITY	8.3%	VI360	2.5
		ESG SCORE	8.3%	BLOOMBERG	2.5
		GMI GOVERNANCE	8.3%	BLOOMBERG	2.5
		CREDIT RATING	8.3%	BLOOMBERG	2.5
	BRAND EQUITY MEASURES 50	FUNCTION	8.3%	BRAND FINANCE	2.5
EMOTION		8.3%	BRAND FINANCE	2.5	
CONDUCT		8.3%	BRAND FINANCE	2.5	
LOYALTY		8.3%	BRAND FINANCE	2.5	

*Illustrative*



## Step 2 – Brand Strength Rating determination

This is calculated using Brand Finance's BrandBeta® analysis, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating.

The data used to calculate the ratings comes from various sources including Bloomberg, annual reports and Brand Finance research.

AAA	Extremely strong
AA	Very strong
A	Strong
BBB-B	Average
CCC-C	Weak
DDD-D	Failing

# Visual Identity determination – VI360

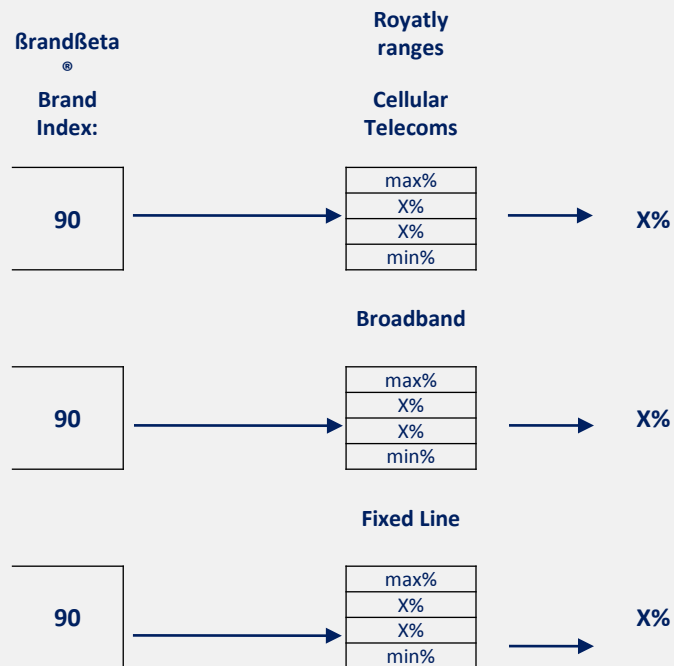


- VI360 is a specialist visual identity management company and is part of the Brand Finance group. We have a close and formal working relationship driven by the recognition that there is a strong link between visual identity management and brand value.
- VI360 works with national and international organisations to implement, monitor and control the visual elements of their brands and manage the holistic view of their visual identities.
- Using a robust formula and benchmarking against industry best practice, VI360 uses available data to assess the visual identity and the management performance.

1. VI Basics	The basic components and architecture of VI elements and their application across the business entity which should all adhere to a basic VI structure. As applied to all visible brand carriers - vehicles, signage, store, print, advertising, products, packaging, etc.
2. VI Risk	Evaluated on observations based on actual experiences. The purpose being to highlight known issues that may detrimentally affect the visual impression for stakeholders.
3. VI Best Practice	The use of visual identity in an international context. It is an evaluation of performance of all visual components relative to perceived best practice and in comparison with peers in the same business sector.
4. VI Impact	The overall VI visual impression of all visual components. This is a subjective view based on experience and industry best practice. They are evaluated on aspects such as how well the visual elements reflect the corporation, and how appropriate it is to the specific business / sector.

# Step 3 – Determine the royalty rate

EXAMPLE OF ROYALTY DETERMINATION WITH  $\beta$ rand $\beta$ ta® INDEX



- To establish royalty rate ranges Brand Finance:
  - Reviewed comparable licensing agreements
  - Analysed margins and value drivers in telecoms categories
  - Established specific high and low royalty rate ranges for each of the different product categories
- The  $\beta$ rand $\beta$ ta® Index is then applied to each royalty rate range to get a royalty at each product segmented level.
- The profitability of the company is then analysed in accordance with the 25% rule and the royalty rate may be adjusted based on this profitability analysis.

## 25% Rule

The 25% rule exists as a rule of thumb in licensing agreement formation. The idea is that a reasonable royalty rate will usually be about 25% of the operating margin of the company.

## Step 4 – Determine the discount rate

$K_E$  = Cost of Equity  
 $P_D$  = Proportion of Debt  
 $R_F$  = Risk Free Rate  
 $R_E$  = Equity Risk Premium  
 $\beta_S$  = Sector Beta  
 $\beta_B$  = Brand Beta

$$WACC = (K_E \times (1 - P_D)) + (K_D \times P_D)$$

$K_D$  = Cost of Debt  
 $P_D$  = Proportion of Debt  
 $R_F$  = Risk Free Rate  
 $B_R$  = Brand Risk Premium

$$K_E = R_F + ((R_E \times \beta_S) \times \beta_B)$$

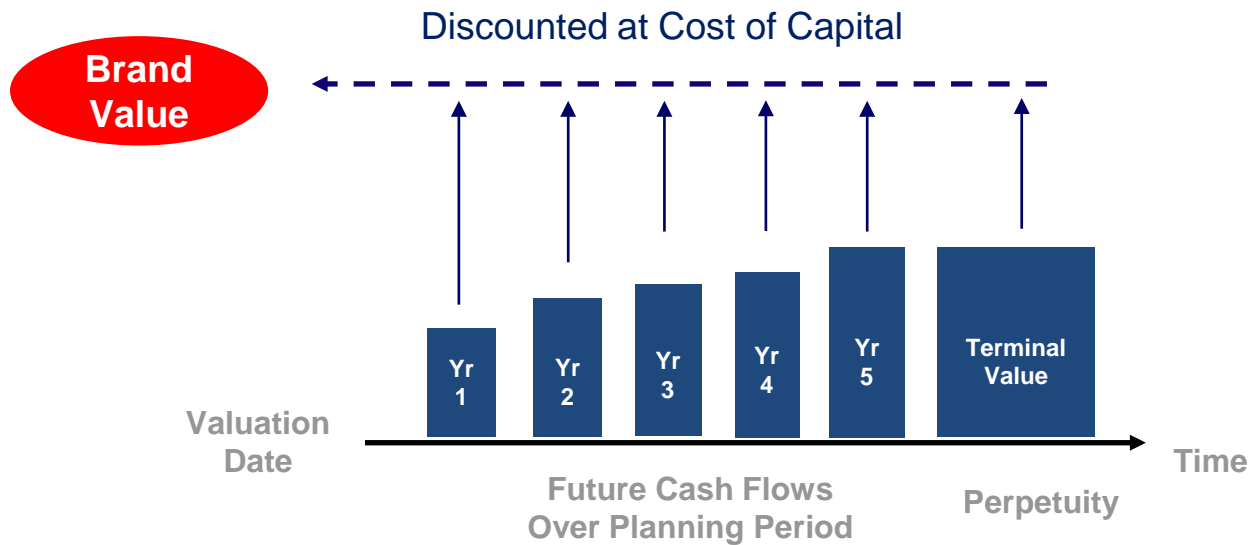
BrandBeta®

$$K_D = (R_F + B_R) \times (1 - \text{Tax})$$

Brand Risk Premium

- The discount rate is used to calculate the net present value of future brand earnings (accounting for the time value of money and the associated risk of achieving these earnings).
- Weighted Cost of Capital (WACC) is used as a discount rate in the valuation, after adjusting for brand specific risk, as determined by the BrandBeta®.
- WACC represents the average costs of a firm's sources of financing. It also is the overall required rate for the firm.
- WACC is calculated as:  
*(proportion of debt funding \* cost of debt + proportion of debt funding \* cost of equity)*
- The WACC calculation is done for each geographic segment and then weighted average across these segments is calculated and used.

# Step 5 – Brand valuation calculation



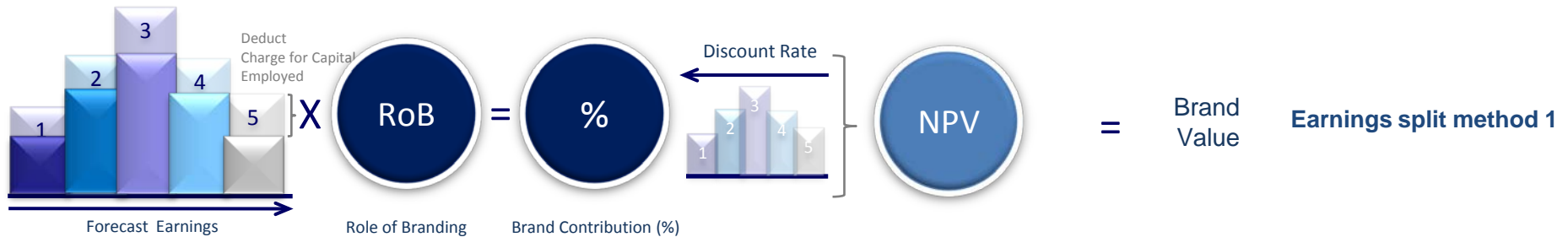
$$\sum_{t=1}^T \left\{ \frac{[\text{Sales Revenue}_t * \text{Royalty Rate} * (1-\text{Tax})]}{(1 + \text{Discount Rate})^t} \right\}$$

NPV of (post-tax) royalties = brand value

# Visual representation of the three leading methodologies



**ROYALTY RELIEF:** Determine sales forecast, multiply sales forecast by royalty rate, deduct tax. Net Present Value (NPV) of brand contribution = Brand Value (Favoured by Brand Finance plc)



**EARNINGS SPLIT (Role of branding):** Determine forecast earnings, deduct charge for capital employed to give intangible earnings (EVA), apply role of brand to determine brand contribution. NPV of brand contribution = Brand Value



**EARNINGS SPLIT :** Determine current year earnings, deduct charge for capital employed to give intangible earnings (EVA), determine brand contribution. Apply brand multiple = Brand Value



# Methodology summary

	Royalty Relief method	Earnings split method 1	Earnings split method 2
Definition of Brand Value	Brand Value is the Net Present Value of the estimated future cash flows attributable to the brand	The dollar value of a brand is calculated as Net Present Value or today's value of the earnings the brand is expected to generate in the future	The financial value of a brand is defined as the sum of all earnings that a brand is expected to generate
Valuation based on which key financial metric?	Net Sales	Intangible Earnings	Intangible Earnings
Forecast of future Economic Value Added	Royalty Rate study based on third party arms length comparables, brand strength and margin analysis	Based on drivers of demand analysis (Role of Brand Index)	Based on % of committed consumers base
Time scale (modeling)	DCF of five year explicit forecast and perpetuity	DCF of five year explicit forecast and perpetuity	Not explicitly taken into account; Uses current Intangible Earnings
How is risk accounted for?	Discount rate calculated from first principles using Capital Asset Pricing Model (CAPM) producing Weighted Average Cost of Capital (WACC) that takes into account brand specific risk	Discount rate determined by estimating brand risk using a Brand Strength Index (BSI) and applying the answer to an "S curve" of possible rates.	Multiple (short term growth indicator)
BV Calculation	$BV = \sum (S_i * RR * (1 - tax)) / (1 + r)^i$ <p>Where S = Sales Forecasts; RR = Royalty Rate; r = Discount Rate; i = number of years</p>	$BV = \sum (EVA_i * RBI) / (1 + r)^i$ <p>Where EVA = Intangible Earnings; RBI = Role of brand Index; r = Discount Rate (S curve); i = number of years</p>	$BV = EVA * (\%) * M$ <p>Where EVA = intangible Earnings; % = Brand Contribution); M = Brand Momentum</p>

# Pros & cons

## Royalty Relief

- Pros
- This is an accepted methodology for valuing brands, that is widely used and based in commercial reality. It is commonly used in legal cases and tax disputes;
  - It ties back to the commercial reality of brands - their ability to command a premium in an arm's length transaction.
  - The methodology specifically recommended by the IVSC for use in IFRS reporting;
  - It relies on verifiable third party data (licensing agreements) and therefore less judgment is involved;
  - It recognises that brands can have a value even where the underlying business is unprofitable.
  - It can be performed on the basis of publicly available financial information.

- Cons
- At times it is difficult to source comparable license agreements for a particular sector.
  - Unless the Royalty Range is analysed carefully, it could lead to a conservative or even an aggressive brand valuation.

## Earnings Split

- Also a generally accepted methodology for valuing brands
- With sufficient market research, it can provide insight into impact of drivers of demand on the value of different intangible assets in the business

- Highly judgmental, particularly when done without specific, detailed market research into drivers of demand
- Calculations based on profit can lead to volatile results which do not reflect the underlying value of the brand; businesses that are loss-making will have zero or negative brand value, which is inappropriate in many cases
- Approach to determining discount rate has been criticised as lacking transparency and not being applicable to all situations
- Generic approach for brand strength may lack cohesion with particular sectors
- Calculations of EVA are notoriously complex and hard to audit. E.g. Stern Stewart claim to make 167 adjustments between accounting profits and EVA (EVA's of many brands from time to time can be negative)



## appendixtwo

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2011 BrandFinance® Telecom Intangibles Financial Tracker (GIFT)



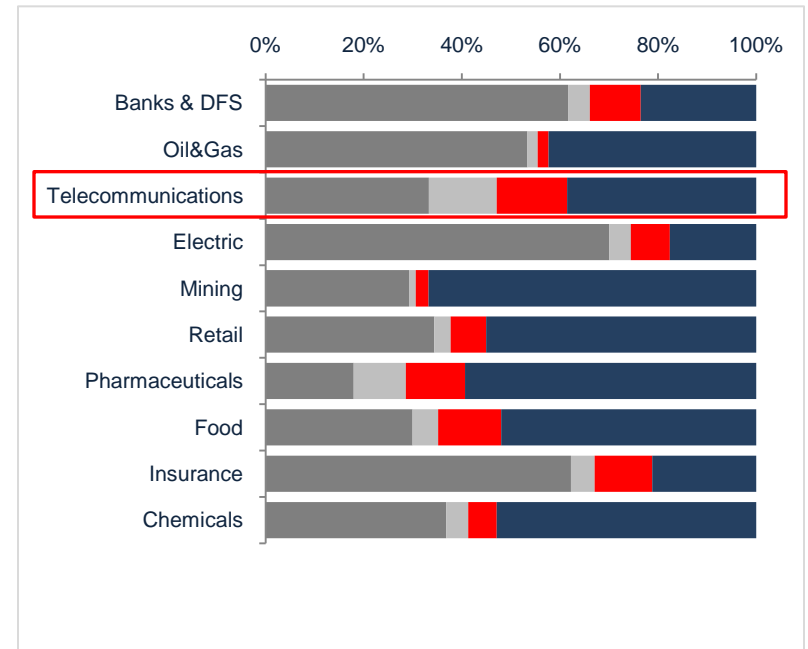
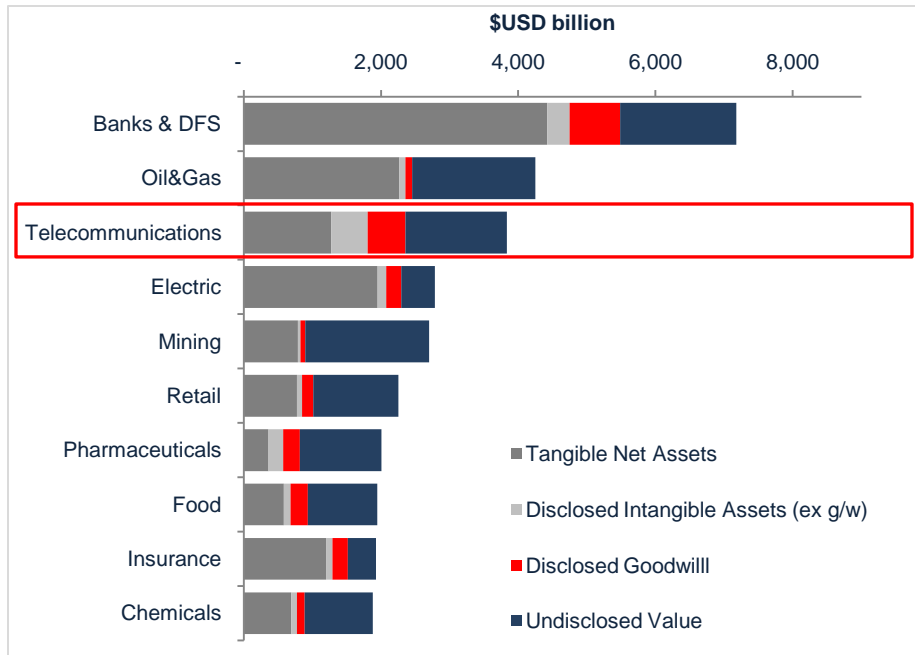
# BrandFinance® Global Intangible Financial Tracker ('GIFT')

## Global Sectors Summary

### TELECOMMUNICATIONS

Enterprise Value	\$3,836 bn	6%*
Tangible Net Assets	\$1,276 bn	2%*
Disclosed Intangible Assets	\$531 bn	1%*
Disclosed Goodwill	\$551 bn	1%*
"Undisclosed Value"	\$1,478 bn	2%*

\* % of Global Enterprise Value







# appendixthree

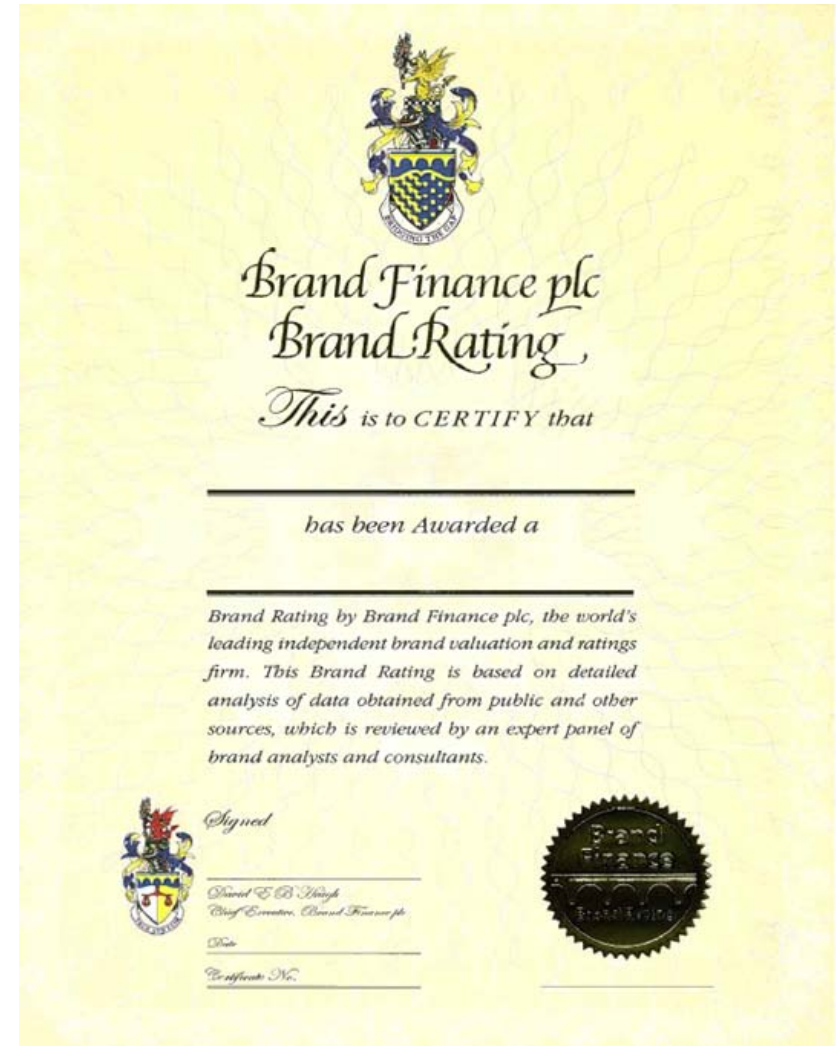
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Additional materials

# Additional Materials

In addition to the Detailed Brand Valuation Summary, you will receive:

- A signed certificate which states its brand rating, brand value and rank within the Telecoms 500 (pictured)
- An electronic copy of the ISO 10668 Brand valuation Standard



# Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. No independent verification or audit of such materials was undertaken. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate.

The conclusions expressed are the opinions of Brand Finance and are not intended to be warranties or guarantees that a particular value or projection can be achieved in any transaction. The opinions expressed in the report are not to be construed as providing investment advice. Brand Finance does not intend the report to be relied upon for technical reasons and excludes all liability to any organisation.

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✓ Thank you

Brand Finance works for a wide range of clients conducting national and international brand valuation and brand strategy assignments. Brand Finance has a global footprint over 20 offices worldwide. For more information please refer to our website: [www.brandfinance.com](http://www.brandfinance.com)

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