Brand Finance®

Low-cost Retail – rising from the Canadian Economy's ashes

- **Canada's 100 most valuable brands have a total value of C$200 billion**
- **Couche-Tard and Dollarama increase in brand value amidst weakened economy**
- **Air Canada's brand value soars 88%, making it the fastest growing brand**
- **Royal Bank of Canada takes the lead as the nation's most valuable brand**

Every year, leading branded business valuation and strategy consultancy Brand Finance puts thousands of the world's top brands to the test. They are evaluated to determine which are the most powerful and the most valuable by country, by industry and against all other brands worldwide. Canada's most valuable brands can be found in the Brand Finance Canada 100.

Canada's 100 most valuable brands generate a total brand value of C$200 billion. With 21 brands in the table with a total value of C$30.1 billion, the retail sector claims the title as the industry with the most brands in the table. The Oil and Gas industry follows closely behind with a total of 14 brands, contributing C$21.7 billion to the nation's overall brand value.

The winners amidst the nation's weak economic condition are undoubtedly the low-cost retailers. Consumer confidence has been affected by the weakened economy, decreasing oil prices, and a slightly elevated unemployment rate – approximately 7%. The increase in price-conscious consumers in light of the economic slowdown has meant that low-cost retailers are able to compete with companies positioned in a higher price bracket. Alongside consumer prudence, Couche-Tard's revenue forecasts have improved this year, which largely contributed to the brand's 39% rise in value. Dollarama saw the same forecast, which was a factor that led to its impressive 20% growth in brand value.

Air Canada is the nation's fastest growing brand, its value rising 88% to an overall brand value of C$1.8 billion. Due to the decline in fuel prices, it propelled the airline giant's second quarter profits up 33%. As the nation suffered a depreciation in its currency, the cost of commodities priced in U.S. dollars soared, however, the economic hiccup boosted the airline's passenger revenue by 6.9%. Additionally, external tourism contributed to Air Canada's success this year when US dollars were exchanged into the depreciating Canadian dollar. The brand cut costs in areas of its operations to offset the depreciation, and this combatting strategy proved useful for the brand's value overall.

Royal Bank of Canada retains its title as the nation's most valuable brand despite falling 9% in value to C$13.2 billion. Banking brands have dominated the Canadian table – five banks are in the top 10 alone. The banking industry has been subject to regulatory pressures and tough economic conditions, and the weakening Canadian dollar, therefore it is important to commend Canadian banks for maintaining strong positions in the table this year. The overall brand value of banking brands in the table is C$56.5 billion, making up approximately 30% of the nation's total brand value. The Canadian banking system is widely considered one of the safest banking systems in the world. Yet, six of the nine banking brands in the table have fallen in brand value this year. However, this fall is consistent with the global trend and therefore does not necessarily impugn the level of safety Canadian banks are renowned for.

Brand Finance®

ENDS

Media Contacts

Bryn Anderson, Valuation Director
T: +44 (0)2073899400 b.anderson@brandfinance.com

Joslyn Pannu, Communications Manager
T: +44 (0)2073899400 M: +44 (0)7885666236 j.pannu@brandfinance.com

Note to Editors

2016 brand values are calculated in USD with a valuation date of 1/1/16.

About Brand Finance plc

Brand Finance plc is the world's leading branded business valuation and strategy consultancy, with offices in over 30 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

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However when looking at brands as business assets that can be bought, sold and licensed, a more 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.

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.