Brand Finance®

Exchanges 10 2019

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

August 2019

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

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

Brand Finance helped craft the internationally recognised standard on Brand Valuation – ISO 10668, and the recently approved standard on Brand Evaluation – ISO 20671.

Get in Touch.

For business enquiries, please contact:
Richard Haigh
Managing Director
rd.haigh@brandfinance.com

For media enquiries, please contact:
Konrad Jagodzinski
Communications Director
k.jagodzinski@brandfinance.com

For all other enquiries, please contact:
enquiries@brandfinance.com
+44 (0)207 389 9400

For more information, please visit our website:
www.brandfinance.com

linkedin.com/company/brand-finance

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Brand Finance®
Global Forum 2019

Understanding the Value of Geographic Branding
2 April 2019

Join us at the Brand Finance Global Forum, an action-packed day-long event at the Royal Automobile Club in London, as we explore how geographic branding can impact brand value, attract customers, and influence key stakeholders.

www.brandfinance.com/events

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Request Your Brand Value Report.

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
+ Airlines
+ Tech
+ Auto
+ Hotels
+ Beers
+ Oil & Gas

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

enquiries@brandfinance.com

What are the benefits of a Brand Value Report?

Insight

Strategy

Benchmarking

Education

Communication

Understanding

Brand Valuation 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.

Brand Strength Index (BSI)

Brand strength expressed as a BSI score out of 100.

Brand Royalty Rate

BSI score applied to an appropriate sector royalty range.

Brand Revenues

Royalty rate applied to forecast revenues to derive brand value.

Brand Value

Post-tax brand revenues discounted to a net present value (NPV) which equals the brand value.

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. 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 opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

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.

CME is World’s Most Valuable Exchange Brand for Sixth Year Running

+ CME continues to dominate as world’s most valuable exchange brand, with brand value of US$1.9 billion
+ US exchanges account for four of top five in ranking
+ ICE expansion improves brand value, up 35% to US$1.1 billion
+ Germany’s Eurex only brand to decline in brand value, but remains in top 10
+ NYSE is sector’s strongest brand, scoring 78.6 out of 100

Executive Summary.

CME defends top position

CME remains the most valuable brand among the world's leading exchanges, improving its brand value by 39% to US$1.9 billion. This substantial increase in brand value, following a 1% drop in 2018, is the result of CME's focus on new areas of opportunity, innovation and diversification including: the renewed popularity of futures contracts; new opportunities embraced in the market, most notably the trading of Bitcoin futures; and their acquisition of Britain's NEX Group (formerly ICAP) for US$5.5 billion.

HKEX disrupts US dominance

US exchanges account for four of the top five placings, the exception being **HKEX**, which is ranked second with a brand value of US$1.4 billion, rising 45%. HKEX is the fastest-growing exchange brand this year, pushing **NYSE** down to third. HKEX's growth can be attributed to high forecast growth rates, with several Chinese brands looking to float.

HKEX is the owner of the Hong Kong Stock Exchange, the leading market for IPOs. The introduction of electronic IPOs, resulting in the removal of paper transactions, underlines the exchange's continued reform programme. This initiative has enabled the exchange to reclaim its position as the leading IPO platform as it has increased the focus on technology and biotech companies. HKEX has also eyed the possibility of acquiring blockchain companies.

The industry is increasingly embracing diversification to future proof the business models of exchanges. With cutting edge technology creating new and exciting avenues of opportunity, this trend will undoubtedly accelerate in the coming years.

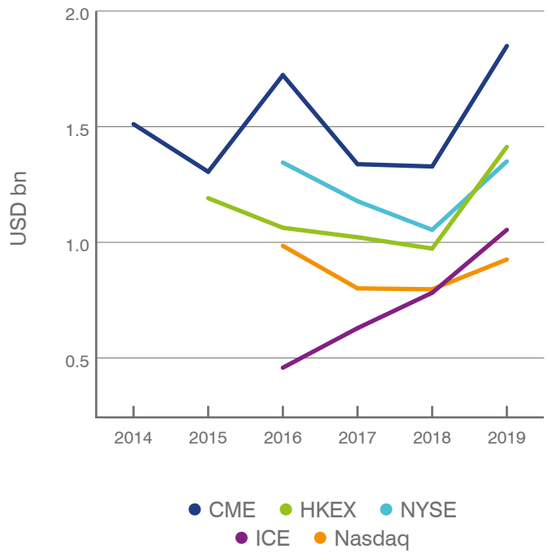
David Haigh
CEO, Brand Finance

ICE expansion improves ranking

ICE, ranked fourth up from fifth last year with brand value up 5% to US$1.1 billion, has been active in expanding its business over the past year. In April 2018, it announced that it was acquiring the Chicago Stock Exchange, a full-service stock exchange including trading, data and a corporate listings service. In late 2018, ICE acquired the remaining equity of Merscorp, a national electronic registry, of which it already owned a majority equity interest from 2016. Additionally, ICE entered into an agreement to acquire TMC Bonds LLC - a fixed income market alternative trading system.

These types of acquisitions are being seen more frequently across the industry, allowing brands to integrate more segments of the sector into their business; however, this raises the challenge of how to best utilise the brand equity held in the portfolio to drive value to the business in the future.

Brand Value over Time



Top 10 Most Valuable Brands

1 ← 1 — CME Group
2019: $1,850m
2018: $1,328m
+39.2%

2 ↑ 3 — HKEX 香港交易所 — Hong Kong
2019: $1,413m
2018: $973m
+45.2%

3 ↓ 2 — NYSE
2019: $1,351m
2018: $1,055m
+28.0%

4 ↑ 5 — ICE
2019: $1,054m
2018: $782m
+34.8%

5 ↓ 4 — Nasdaq
2019: $926m
2018: $797m
+16.2%

6 ← 6 — SIX Swiss Exchange
2019: $593m
2018: $537m
+10.3%

7 ← 7 — Eurex
2019: $442m
2018: $445m
-0.6%

8 ← 8 — Cboe
2019: $407m
2018: $395m
+2.9%

9 ← 9 — London Stock Exchange
2019: $369m
2018: $369m
+0.1%

10 ← 10 — SGX
2019: $350m
2018: $330m
+6.0%

Brand Value by Country

Country	Brand Value (USD bn)	% of total
United States	5.6	63.8%
China (Hong Kong)	1.4	16.1%
Switzerland	0.6	6.8%
Germany	0.4	5.0%
United Kingdom	0.4	4.2%
Singapore	0.3	4.0%
Total	**8.7**	**100.0%**

Eurex decline

The only brand among the top 10 to see its brand value decline was Germany's **Eurex**, despite its bid to expand its offering with a broader partnership programme that includes repo and OTC foreign exchange segments. Despite this, the brand still maintains its 7th ranking with a brand value of US$442 million.

NYSE secures strongest brand rating

Aside from calculating overall brand value, Brand Finance also determines the relative strength of brands through a balanced scorecard of metrics evaluating marketing investment, stakeholder equity, and business performance. Along with the level of revenues, brand strength is a crucial driver of brand value.

NYSE (up 28% to US$1.4 billion) has secured the highest Brand Strength Index (BSI) score of 78.6 out of 100 and is one of only two exchanges to receive a AA+ rating. The other one, SGX (up 6% to US$350 million) has the second strongest brand with a BSI score of 75.4 out of 100.

Brand Value Change 2018-2019 (%)

Top 10 Strongest Brands

1 ← 1 — NYSE
2019: **78.6** **AA+**
2018: **78.4** **AA+**
+0.2

2 ↑ 3 — SGX
2019: **75.4** **AA+**
2018: **72.9** **AA**
+2.5

3 ↓ 2 — London Stock Exchange
2019: **73.2** **AA**
2018: **74.9** **AA+**
-1.7

4 ← 4 — HKEX 香港交易所 (Hong Kong)
2019: **72.0** **AA**
2018: **72.0** **AA**
0.0

5 ↑ 6 — CME Group
2019: **71.4** **AA**
2018: **71.6** **AA**
-0.3

6 ↓ 5 — eurex
2019: **70.9** **AA**
2018: **71.9** **AA**
-1.1

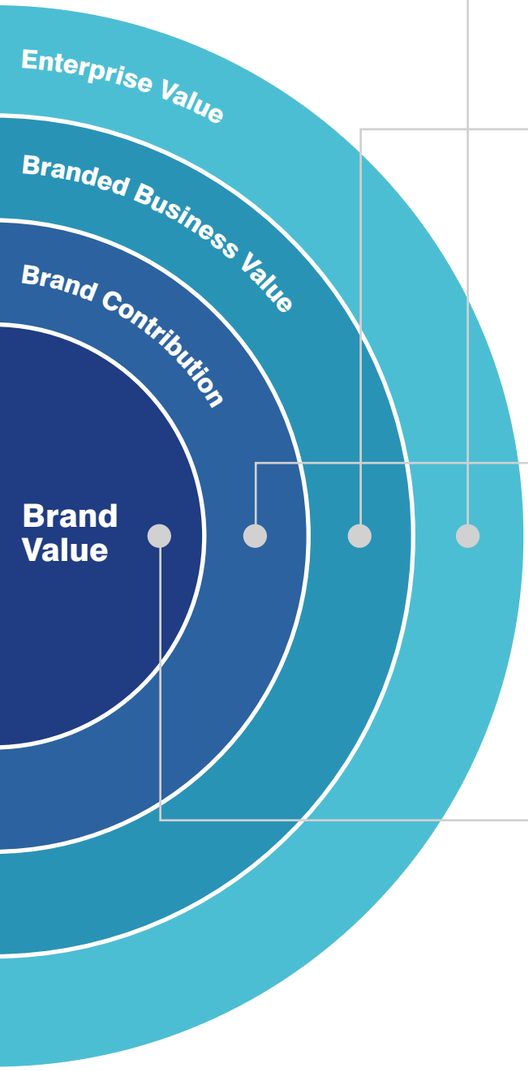
7 ↑ 8 — ICE
2019: **70.0** **AA**
2018: **70.3** **AA**
-0.3

8 ↑ 9 — Nasdaq
2019: **68.1** **AA-**
2018: **69.5** **AA**
-1.4

9 ↓ 7 — Cboe
2019: **65.3** **AA-**
2018: **71.5** **AA**
-6.2

10 ← 10 — SIX Swiss Exchange
2019: **55.1** **A**
2018: **55.1** **A**
0.0

Definitions.



Brand Value

ICE
[ICE]

+ Enterprise Value

The value of the entire enterprise, made up of multiple branded businesses.

Where a company has a purely mono-branded architecture, the 'enterprise value' is the same as 'branded business value'.

NYSE
[NYSE]

+ Branded Business Value

The value of a single branded business operating under the subject brand.

A brand should be viewed in the context of the business in which it operates. Brand Finance always conducts a branded business valuation as part of any brand valuation. We evaluate the full brand value chain in order to understand the links between marketing investment, brand-tracking data, and stakeholder behaviour.

NYSE
[NYSE]

+ Brand Contribution

The overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

The brand values contained in our league tables are those of the potentially transferable brand assets only, making 'brand contribution' a wider concept. An assessment of overall 'brand contribution' to a business provides additional insights to help optimise performance.

NYSE
[NYSE]

+ Brand Value

The value of the trade mark and associated marketing IP within the branded business.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation – ISO 10668. It defines brand as a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos, and designs, intended to identify goods, services or entities, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits.

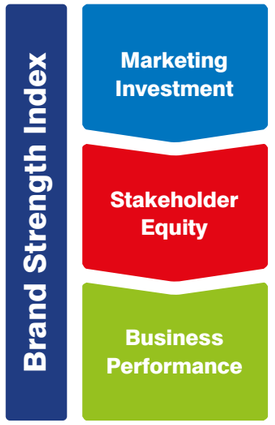
Brand Strength

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

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

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.

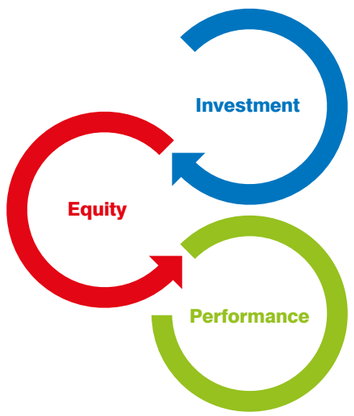
Analysing the three brand strength measures helps inform managers of a brand's potential for future success.



Widely recognised factors deployed by marketers to create brand loyalty and market share.

Perceptions of the brand among different stakeholder groups, with customers being the most important.

Quantitative market and financial measures representing the success of the brand in achieving price and volume premium.



Marketing Investment

- A brand that has high Marketing Investment but low Stakeholder Equity may be on a path to growth. This high investment is likely to lead to future performance in Stakeholder Equity which would in turn lead to better Business Performance in the future.
- However, high Marketing Investment over an extended period with little improvement in Stakeholder Equity would imply that the brand is unable to shape customers' preference.

Stakeholder Equity

- The same is true for Stakeholder Equity. If a company has high Stakeholder Equity, it is likely that Business Performance will improve in the future.
- However, if the brand's poor Business Performance persists, it would suggest that the brand is inefficient compared to its competitors in transferring stakeholder sentiment to a volume or price premium.

Business Performance

- Finally, if a brand has a strong Business Performance but scores poorly on Stakeholder Equity, it would imply that, in the future, the brand's ability to drive value will diminish.
- However, if it is able to sustain these higher outputs, it shows that the brand is particularly efficient at creating value from sentiment compared to its competitors.

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 +

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	FINANCE	TAX	LEGAL
We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.	We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.	We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.	We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

Brand Evaluation Services.

How are brands perceived in my category?

Brand Finance tracks brand fame and perceptions across over 30 markets in 10 consumer categories. Clear, insightful signals of brand performance, with data mining options for those who want to dig deeper – all at an accessible price.

What if I need more depth or coverage of a more specialised sector?

Our bespoke brand scorecards help with market planning and can be designed to track multiple brands over time, against competitors, between market segments and against budgets. Our 30-country database of brand KPIs enables us to benchmark performance appropriately.

Do I have the right brand architecture or strategy in place?

Research is conducted in addition to strategic analysis to provide a robust understanding of the current positioning. The effectiveness of alternative architectures is tested through drivers analysis, to determine which option(s) will stimulate the most favourable customer behaviour and financial results.

How can I improve return on marketing investment?

Using sophisticated analytics, we have a proven track record of developing comprehensive brand scorecard and brand investment frameworks to improve return on marketing investment.

What about the social dimension? Does my brand get talked about?

Social interactions have a proven commercial impact on brands. We measure actual brand conversation and advocacy, both real-world word of mouth and online buzz and sentiment, by combining traditional survey measures with best-in-class social listening.

Communications Services.

How we can help communicate your brand's performance in brand value rankings

Brand Accolade – create a digital endorsement stamp for use in marketing materials, communications, annual reports, social media and website. Advertising use subject to terms and conditions.

2019 Brand Finance® Awards
TOP 10 EXCHANGE BRAND

2019 Brand Finance® Awards
MOST VALUABLE EXCHANGE BRAND

2019 Brand Finance® Awards
STRONGEST EXCHANGE BRAND

Video Endorsement – record video with Brand Finance CEO or Director speaking about the performance of your brand, for use in both internal and external communications.

Bespoke Events – organise an award ceremony or celebratory event, coordinate event opportunities and spearhead communications to make the most of them.

Digital Infographics – design infographics visualising your brand's performance for use across social media platforms.

Trophies & Certificates – provide a trophy and/or hand-written certificate personally signed by Brand Finance CEO to recognise your brand's performance.

Sponsored Content – publish contributed articles, advertorials, and interviews with your brand leader in the relevant Brand Finance report offered to the press.

Media Support – provide editorial support in reviewing or copywriting your press release, pitching your content to top journalists, and monitoring media coverage.

Brand Dialogue®

Value-Based Communications

With strategic planning and creative thinking, we develop communications plans to create dialogue with stakeholders that drives brand value. Our approach is integrated, employing tailored solutions for our clients across PR, marketing and social media.

SERVICES
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- Integrated Communications Planning
- Project Management and Campaign Execution
- Content and Channel Strategy
- Communications Workshops

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

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3 Birchin Lane, London, EC3V 9B +44 (0)207 389 9410 enquiries@brandexchange.com

Brand Exchange is a member of the Brand Finance plc group of companies

Brand Finance Network.

For further information on our services and valuation experience, please contact your local representative:

Market	Contact	Email	Telephone
Asia Pacific	Samir Dixit	s.dixit@brandfinance.com	+65 906 98 651
Australia	Mark Crowe	m.crowe@brandfinance.com	+61 282 498 320
Canada	Charles Scarlett-Smith	c.scarlett-smith@brandfinance.com	+1 514 991 5101
Caribbean	Nigel Cooper	n.cooper@brandfinance.com	+1 876 825 6598
China	Scott Chen	s.chen@brandfinance.com	+86 186 0118 8821
East Africa	Jawad Jaffer	j.jaffer@brandfinance.com	+254 204 440 053
France	Bertrand Chovet	b.chovet@brandfinance.com	+33 6 86 63 46 44
Germany	Holger Muehlbauer	h.muehlbauer@brandfinance.com	+49 151 54 749 834
India	Savio D'Souza	s.dsouza@brandfinance.com	+44 207 389 9400
Indonesia	Jimmy Halim	j.halim@brandfinance.com	+62 215 3678 064
Ireland	Simon Haigh	s.haigh@brandfinance.com	+353 087 669 5881
Italy	Massimo Pizzo	m.pizzo@brandfinance.com	+39 02 303 125 105
Japan	Jun Tanaka	j.tanaka@brandfinance.com	+81 90 7116 1881
Mexico & LatAm	Laurence Newell	l.newell@brandfinance.com	+52 1559 197 1925
Middle East	Andrew Campbell	a.campbell@brandfinance.com	+971 508 113 341
Nigeria	Tunde Odumeru	t.odumeru@brandfinance.com	+234 012 911 988
Romania	Mihai Bogdan	m.bogdan@brandfinance.com	+40 728 702 705
South Africa	Jeremy Sampson	j.sampson@brandfinance.com	+27 82 885 7300
Spain	Teresa de Lemus	t.delemus@brandfinance.com	+34 654 481 043
Sri Lanka	Ruchi Gunewardene	r.gunewardene@brandfinance.com	+94 11 770 9991
Turkey	Muhterem Ilgüner	m.ilguner@brandfinance.com	+90 216 352 67 29
UK	Richard Haigh	rd.haigh@brandfinance.com	+44 207 389 9400
USA	Charles Scarlett-Smith	c.scarlett-smith@brandfinance.com	+1 514 991 5101
Vietnam	Lai Tien Manh	m.lai@brandfinance.com	+84 90 259 82 28

T: +44 (0)20 7389 9400 **E:** enquiries@brandfinance.com www.brandfinance.com

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