Brand Finance®

Malaysia 100 2015

The Brand Finance Top 100 Malaysia Brands 2015
November 2015

Foreword

David Haigh
Chief Executive Officer
Brand Finance plc

Brand Finance is dedicated to using brand valuation as an input for strategic decisions and driving organizational performance

The transition into an intangible driven economy has never been as prominent as it is today. Seven of the top ten Most Valuable Global Brands (Apple, Samsung, Google, Microsoft, Verizon, AT&T and amazon.com) are in technology related industries, where investment in brand and R&D is important in staying relevant to consumers.

Over the past two decades, Brand Finance has been dedicated in helping companies track and measure their investments in their intangible asset portfolio.

Certain steps can be undertaken to ensure that an economic value driven strategy occurs throughout the organization.

1. Accountability – ensure that all invested funds are accounted for through returns on investment analysis

2. Credibility – ensure that investments are linked to organizational objectives

3. KPI's setting – Economic returns based marketing ROI becomes extremely critical to assess the success of marketing contribution to the bottom line, in hard dollar value terms vs. softer qualitative KPIs currently measured.

Valuations are a great tool to evaluate the returns on investments as it drives the monitoring and tracking of the long term performance of your investments.

Samir Dixit
Managing Director,
Brand Finance Asia Pacific

We are in the ideas economy. The economy of intangibles. The balance between tangibles and intangibles has changed dramatically over the past 50 years as corporate performance is increasingly driven by exploitation of ideas, information, expertise and services rather than physical products.

Intangibles make up for over 39% of the value of an enterprise in Malaysia. Yet, it's an area of least focus amongst the management. While marketers do not measure or care much about the intangible assets, the discrepancy between market and book values shows that investors do. The intangibles are driven by the brand and equity and not sales.

Knowing and tracking the value of your brand therefore is a critical aspect, to provide tangible, financial evidence of the Brands status as assets and an indication of the value generated through the investment in brand equity.

The 2015 ranking report pits the best Malaysian brands against one another in the most definitive list of brand

Foreword

values available. Each brand has also been given a brand rating, which indicates its strength, risk and future potential relative to its competitors.

I am therefore very excited to announce the annual ranking of Top Malaysian Brands by Brand Finance and hope that the market will benefit from the insights and information captured in this report.

Alfredo Chandra
Director,
Brand Finance Asia Pacific

Brand Finance has seen the evolution of brands in Asia over the last fifteen years. Despite there being a number of good quality brands in Asia, there have been few iconic brands which have risen from the region. The brands that have been able to compete on the world stage have managed to do so by capturing every step of the customer experience journey and translating that to the brand promise. Malaysian brands are heavily focused on the domestic market, but are slowly growing their regional presence. The lack of a global presence of Malaysian brands is quite surprising.

Against the backdrop of slower economic growth in the region, Asian brands will face greater challenges, both regionally and globally. We expect that marketing budgets will be scrutinized across industries including banking, food & beverage, manufacturing, and retailing. These sectors face a conundrum as emerging companies in the technology industry disrupt the traditional counterparts by investing heavily in marketing and technology capabilities that focus on user experience. Gone are the days where the quantity of marketing investment drives customer purchase.

Technology has enabled consumers to electively research brands. Savvy brand owners will need to ensure that quality investments are made to grow brand share and presence.

We have also observed that a number of brand valuation consultancies produce brand value league tables using methods that do not stand up to technical scrutiny or to the ISO Standards for Brand Valuation. Brand Finance rankings are the world's only published ranking of ISO compliant brand values. We use quantitative market data, detailed financial information and expert opinion to provide reliable Brand Strength Index Ratings and Brand Values. Our methods are technically advanced, which conform to ISO Standards and are well recognised by our peers, by various technical authorities and by academic institutions.

The brand values show how important an asset these brands are to their respective owners. As a result, we firmly believe that an economic value-based ROI brand management approach can offer marketers and financiers critical insight into their marketing activities. This becomes even more important in a time when marketing budgets are being heavily scrutinised.

Contents

Introduction

Brand Finance has been researching and tracking the role of intangible assets since 2001 as part of its annual Global Intangible Finance Tracker (GIFT™) with an emphasis on helping corporations understand brand strength and value.

Brand Finance has found that intangible assets play a significant part in enterprise value generation. The GIFT™ is a study that tracks the performance of intangible assets on a global level.

The GIFT™ is the most extensive study on intangible assets, covering 120 national stock markets, more than 58,000 companies, representing 99% of total global market capitalisation. The analysis goes back over a fourteen-year period from the end of December 2014.

Currently, 52% of global market value is vested in intangible assets. There is just a marginal decrease as compared to last year. However, the management paradigm is yet to shift in tandem with large proportion and the importance of intangible assets.

In this year's GIFT™ 2015 report , the Enterprise Value of the companies covered has increased by $40.3 trillion since the end of 2001: of that increase, $22.2 trillion has been an increase in Net Tangible Assets, $7.7 trillion an increase in disclosed intangible assets (including goodwill) and $10.5 trillion an increase in 'undisclosed value'.

The fact that most of the intangible value is not disclosed on company balance sheet further illustrates how poorly understood intangibles still are by investors and management alike – and how out of date accounting practice is.

Such ignorance leads to poor decision-making companies and systematic mis-pricing of stock by investors.

Purpose of study

To this end, our study aims to examine the performance of Malaysia's intangible assets and brands.

For the intangible asset study, the total enterprise value of corporate Malaysia is divided into four components shown below.

Undisclosed Value	Disclosed Goodwill
The difference between the market and book value of shareholders' equity, often referred to as the premium book value	Goodwill disclosed on balance sheet as a result of acquisitions
Disclosed Intangible Assets	**Tangible Net Assets**
Intangible assets disclosed on balance sheet including trademarks and licences	Tangible net assets is added to investments, working capital and other net assets

Report Card on Intangible Assets

Malaysia's intangible assets increased by US$12 billion in 2014 as compared to the US$8 billion decrease in 2013

By the end of 2014, total enterprise value of Malaysia increased to US$471 billion.

Intangible assets value made up 39% of enterprise value, decreased 9% compared to 48% in 2013. This result is significantly lower than the global average where the intangible asset % of enterprise value is 53%.

Spotlight On Sectors

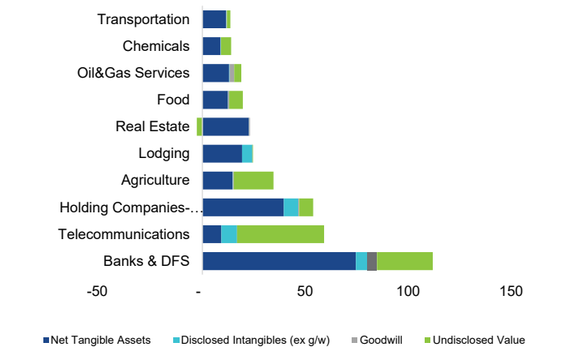
Total Enterprise value of the Top 10 Sectors in Malaysia is worth US$371 billion. The ten largest sectors for Malaysia are Banking & DFS, Telecommunications, Holding Companies, Agriculture, Lodging, Real Estate, Food, Oil & Gas Services, Chemicals and Transportation.

Banking & DFS Sector has the highest enterprise value. The Banking & DFS sector holds the number 1 position for the highest Enterprise Value of US$112 billion. Telecommunications sector is number 2 with an Enterprise Value of US$59 billion, followed by the Holding Companies sector at number 3 with an Enterprise Value of US$54 billion. Agriculture sector has the fourth highest Enterprise Value of US$35 billion amongst the top 10. Transportation sector ranks number 10 with an Enterprise Value of US$ 14billion.

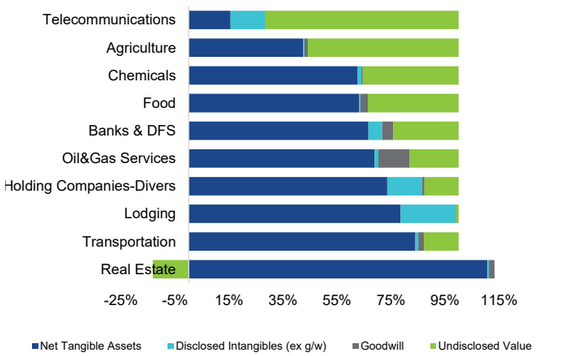
Telecommunications Sector with the highest intangible value. The Telecommunications sector is the number 1 position for the highest Intangible Value of US$50 billion followed by Banks & DFS sector at number 2 with a total Intangible Value of US$37 billion.

Malaysia	USD$BN	%
Enterprise Value	471	100
Net Tangible Assets	287	61
Disclosed Intangible Assets (Exc. Goodwill)	37	8
Disclosed Goodwill	13	3
Undisclosed Value	133	28

TOP 10 SECTORS BY ENTERPRISE VALUE SPLIT (VALUE) 2014 (US$ BILLION)



TOP 10 SECTORS BY ENTERPRISE VALUE SPLIT (% AGE) 2014 (US$ BILLION)



Getting a Grip on Intangibles

Bryn Anderson
Chief Operating Officer, Brand Finance UK

Getting a grip on intangibles

Intangible assets make up nearly half the value of quoted companies around the world. Yet intangibles remain poorly understood and managed.

Intangible assets including brands have never been more important. Survey after survey shows that brands and other intangibles typically account for between 30 per cent and 70 per cent of a company's market value, and in certain sectors, such as luxury goods, this figure can be even higher.

Research from Brand Finance, the 2015 BrandFinance Global Intangible Financial Tracker (GIFT) report is the most extensive research ever compiled on intangible assets. Over the past thirteen years, GIFT has tracked the performance of more than 58,000 companies quoted in 120 over countries and it shows that in 2014, intangibles across the world accounted for 52 per cent of the value of quoted companies, continuing the increase since the global economic downturn in 2008. The proportion of intangible assets not recognised on the global balance sheet is up from 32 per cent to 37 per cent comparing from the year before. The increase can be attributed strong stock prices in the biotechnology and technology sector, in particular those highly geared towards servicing the internet. A number of analysts believe that a potential stock market bubble has formed, and a correction is underway.

The balance between tangible to intangible assets has changed dramatically over the past 50 years, as corporate performance has become increasingly driven by the exploitation of ideas, information, expertise and services rather than physical things. Yet despite the rise in intangible value, the fact that most of it is not disclosed on company balance sheets highlights how poorly understood intangibles still are by investors and management alike — and how out of date accounting practice is. Such ignorance leads to poor decision making by companies and systematic miss-pricing of stock by investors.

Overall, the 2015 GIFT study shows that the value of the top 58,000 companies in the world has recovered from the 'double drip' result in 2011. The total Enterprise Value of corporates under the scope of the study was $71 trillion as at the end of 2014. Of this value, $33.5 trillion represented Net Tangible Assets (NTA), $11 trillion disclosed intangible assets and $26.5 trillion 'undisclosed value'.

Categories of intangible assets under IFRS 3

1. Rights. Leases, distribution agreements, employment contracts, covenants, financing arrangements, supply contracts, licences, certifications, franchises.

2. Relationships. Trained and assembled workforce, customer and distribution relationships.

3. Intellectual property. Patents; copyrights; trademarks; proprietary technology (for example, formulas, recipes, specifications, formulations, training programmes, marketing strategies, artistic techniques, customer lists, demographic studies, product test results); business knowledge — such as suppliers' lead times, cost and pricing data, trade secrets and knowhow.

But a fourth category, 'undisclosed intangible assets', is usually more valuable than the disclosed intangibles. The category includes 'internally generated goodwill', and it accounts for the difference between the fair market value of a business and the value of its identifiable tangible and intangible assets. Although not an intangible asset in a strict sense — that is, a controlled 'resource' expected to provide future economic benefits (see below) — this residual value is treated as an intangible asset in a business combination when it is converted into goodwill on the acquiring company's balance sheet. Current accounting practice does not allow for internally generated brands to be disclosed on a balance sheet. Under current IFRS only the value of acquired brands can be recognised, which means many companies can never use the controlled 'resource' of their internally generated brands to their full economic benefit. For example, they can't take out a loan against the asset and potentially bolster their balance sheet.

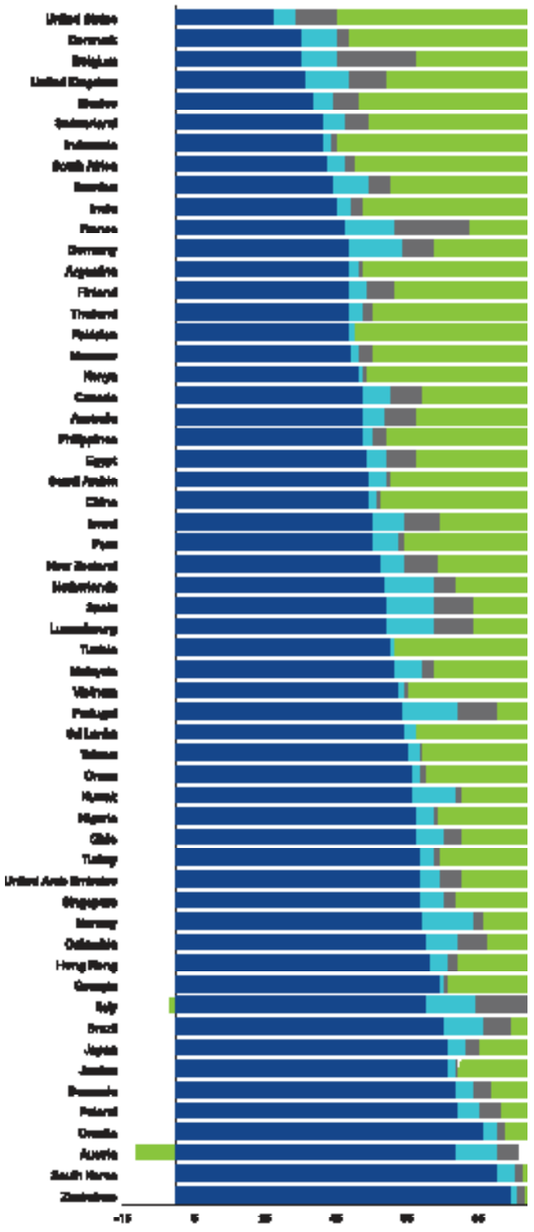
In accounting terms, an asset is defined as a resource that is controlled by the entity in question and which is expected to provide future economic benefits to it. The International Accounting Standards Board's definition of an intangible asset requires it to be non-monetary, without physical substance and 'identifiable'.

In order to be 'identifiable' it must either be separable (capable of being separated from the entity and sold, transferred or licensed) or it must arise from contractual or legal rights (irrespective of whether those rights are themselves 'separable'). Therefore, intangible assets that may be recognised on a balance sheet under IFRS are only a fraction of what are often considered to be 'intangible assets' in a broader sense.

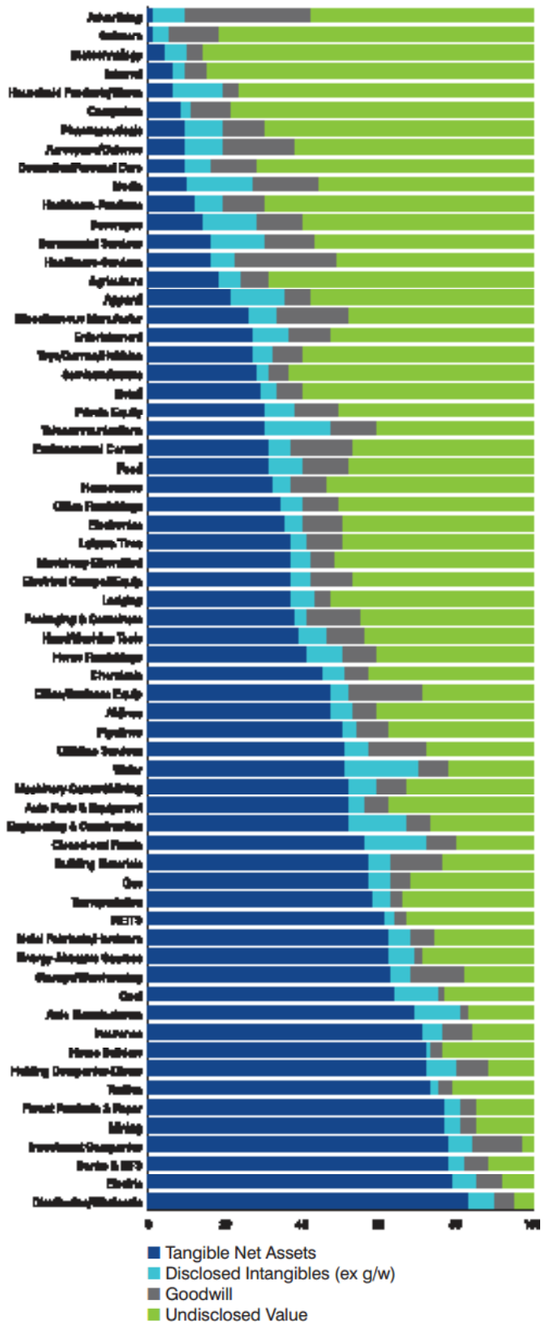
However, the picture has improved since 2001, when IFRS3 in Europe, and FAS141 in the US, started to require companies to break down the value of the intangibles they acquire as a result of a takeover into five different categories — including customer-and market related intangibles — rather than lumping them together under the catch-all term 'goodwill' as they had in the past. But because only acquired intangibles, and not those internally generated, can be recorded on the balance sheet, this results in a lopsided view of a company's value. What's more, the value of those assets can only stay the same or be revised downwards in each subsequent year, thus failing to reflect the additional value that the new stewardship ought to be creating.

Clearly, therefore, whatever the requirements of accounting standards, companies should regularly measure all their tangible and intangible assets (including internally-generated intangibles such as brands and patents) and liabilities, not just those that have to be reported on the balance sheet. And the higher the proportion of 'undisclosed value' on balance sheets, the more critical that robust valuation becomes.

Global intangible and tangible value by country (%)



Global intangible and tangible value by sector (%)



Categories of Intangible Asset under IFRS 3

MARKETING-RELATED INTANGIBLE ASSETS	• Trademarks, tradenames • Service marks, collective marks, certification marks • Trade dress (unique colour, shape or package design) • Newspaper mastheads • Internet domain names • Non-competition agreements
CUSTOMER-RELATED INTANGIBLE ASSETS	• Customers lists • Order or production backlog • Customer contracts and related customer relationships • Non-contractual customer relationships
CONTRACT-BASED INTANGIBLE ASSETS	• Licensing, royalty, standstill agreements • Advertising, construction, management, service or supply contracts • Lease agreements • Construction permits • Franchise agreements • Operating and broadcast rights • Use rights such as drilling, water, air, mineral, timber, cutting and route authorities • Servicing contracts such as mortgage servicing contracts • Employment contracts
TECHNOLOGY-BASED INTANGIBLE ASSETS	• Patented technology • Computer software and mask works • Unpatented technology • Databases • Trade secrets, such as secret formulas, processes, recipes
ARTISTIC-RELATED INTANGIBLE ASSETS	• Plays, operas and ballets • Books, magazine, newspaper and other literary works • Musical works such as compositions, song lyrics and advertising jingles • Pictures and photographs • Video and audio visual material, including films, music, videos, etc

Malaysia's Top 10 Most Valuable Brands

01 2014: **1**
Petronas
Brand Value:
$9,479m +3%
Brand Rating:
AA

02 2014: **2**
Genting
Brand Value:
$2,917m +17%
Brand Rating:
AA-

03 2014: **4**
Maybank
Brand Value:
$2,243m +10%
Brand Rating:
AA+

04 2014: **3**
CIMB
Brand Value:
$1,964m -4%
Brand Rating:
AAA-

05 2014: **5**
YTL
Brand Value:
$1,914m +8%
Brand Rating:
A+

06 2014: **6**
Sime Darby
Brand Value:
$1,699m +14%
Brand Rating:
AA-

07 2014: **8**
Maxis
Brand Value:
$1,315m -7%
Brand Rating:
AA

08 2014: **7**
Tenaga Nasional
Brand Value:
$1,244m -16%
Brand Rating:
AA-

09 2014: **12**
Digi
Brand Value:
$1,108m +24%
Brand Rating:
AA

10 2014: **11**
Telekom Malaysia
Brand Value:
$1,094m +4%
Brand Rating:
AA

Malaysia's Top 10 Most Valuable Brands

Brand Value
$9,479m
Enterprise Value
$90,290m

Company:
Petroliam Nasional Berhad
notes:
Total Portfolio
Industry:
Oil & Gas
Year Formed:
1974

1 PETRONAS

Petroliam Nasional Berhad (PETRONAS) established in 1974, is Malaysia's fully integrated oil and gas multinational ranked among the largest corporations on Fortune Global 500®. As the custodian for Malaysia's national oil and gas resources, they explore, produce and deliver energy to meet society's growing needs. The growing demand for energy inspires and strengthens the purpose to steadily drive for new solutions and push boundaries towards a sustainable energy future. Since its incorporation, Petronas has grown to be an integrated international oil and gas company with business interests in over 50 countries around the world. Petronas applies innovative approaches to technology which helps to unlock and maximise energy sources from even the most remote and difficult environments. The group is engaged in a wide spectrum of petroleum activities, including upstream exploration and production of oil and gas to downstream oil refining, marketing and distribution of petroleum products, gas processing and liquefaction, gas transmission pipeline network operations, marketing of liquefied natural gas, petrochemical manufacturing and marketing, automotive engineering and property investment.

Brand Value
$2,917m
Enterprise Value
$15,114

Company:
Genting Bhd
notes:
Total Portfolio
Industry:
Lodging
Year Formed:
1965

2 GENTING

Genting Berhad, its subsidiaries and affiliates operating under the "Genting" name, is recognised as one of Asia's leading and best-managed multinationals. There are currently 5 public companies listed in 3 jurisdictions that operate under the "Genting" name with a combined market capitalisation of over RM94 billion (US$22 billion) as at 31 August 2015. Genting Group was founded by the late Tan Sri (Dr.) Lim Goh Tong in 1965 when he began the initial development works of building a 20-kilometre private access road, across tough mountainous terrains from the foothills to the summit of Mount Ulu Kali, located at 2,000 metres above sea level. . The group has over 41 years of experience in developing, operating and marketing casinos and integrated resorts in different parts of the world, including the Americas, Australia, Malaysia, the Philippines, Singapore and United Kingdom. It has been voted Malaysia's leading corporation and one of Asia's best managed multinationals. The main attractions of the resort are its casino, theme park, concert shows, food & beverage and retail shopping. It is one of the most popular tourist destinations in Malaysia.

Malaysia's Top 10 Most Valuable Brands

3 MAYBANK

Brand Value
$2,243m
Enterprise Value
$20,987m

Company:
Malayan Banking Bhd
notes:
Total Portfolio
Industry:
Banks
Year Formed:
1960

Maybank was established in 1960, and today is the largest company by market capitalisation on the Malaysian Bourse (Bursa Malaysia). It is ranked first among listed Malaysian companies and among the top 500 companies in the Forbes Global 2000 leading companies of the world. The Maybank Group offers a comprehensive range of products and services that includes commercial banking, investment banking, Islamic banking, offshore banking, leasing and hire purchase, insurance, factoring, trustee services, asset management, stock broking, nominee services, venture capital and Internet banking Maybank's mission is to humanise financial services across Asia, by providing access to financial services to the people at fair terms and pricing, and to be always at the heart of the community. Maybank is among the top 5 banks in South East Asia with total assets of USD183 billion. It has an international network of over 2,400 branches and offices in 20 countries, employing 47,000 employees who serve over 22 million customers.

4 CIMB

Brand Value
$1,964m
Enterprise Value
$13,322m

Company:
Cimb Group Holdings Bhd
notes:
Total Portfolio
Industry:
Banks
Year Formed:
1924

CIMB Group is a leading ASEAN universal bank, one of the largest Asian investment banks and one of the world's largest Islamic banks. CIMB Group's roots can be traced back nearly 90 years. From humble beginnings, it has grown alongside ASEAN – from a niche merchant bank in Malaysia to a regional banking powerhouse. It is headquartered in Kuala Lumpur, Malaysia and offers consumer banking, commercial banking, wholesale banking, Islamic banking and asset management products and services. Products and services are complemented with partnerships with various companies including the Principal Financial Group, Bank of Tokyo-Mitsubishi UFJ, Daewoo Securities, Sun Life Assurance, Allianz Insurance, Thai Life Insurance and etc. As the fifth largest banking group in ASEAN, CIMB has over 40,000 staff in 17 locations across ASEAN, Asia and beyond. CIMB aims to provide universal banking services as a high performing, institutionalised and integrated company located in ASEAN and key markets beyond, and to champion the acceleration of ASEAN integration and the region's links to the rest of the world.

Malaysia's Top 10 Most Valuable Brands

5 YTL

Brand Value
$1,914m
Enterprise Value
$12,569m

Company:
Ytl Corporation Berhad
notes:
Total Portfolio
Industry:
Diversified
Year Formed:
1955

YTL Corporation Berhad is an integrated infrastructure developer with extensive international operations in countries including Malaysia, the United Kingdom, Singapore, Indonesia, Australia, Japan and China. The core businesses of the YTL Group comprise utilities, construction contracting, cement manufacturing, property development and investment, hotel development and management, e-commerce initiatives and internet-based education solutions and services. YTL Corp is amongst the largest companies listed on Bursa Malaysia Securities Berhad (the Kuala Lumpur stock exchange) and is one of the 30 component companies of the FTSE Bursa Malaysia KLCI, the stock exchange's primary benchmark index. YTL Corp has also had a secondary listing on the Tokyo Stock Exchange since 1996 and was the first non-Japanese Asian company to list on the Tokyo exchange. The YTL Group is committed to producing world class products and services at competitive prices. This corporate philosophy has enabled the YTL group to build up a growing customer base of more than 12 million customers globally over the last 30 years.

6 Sime Darby

Brand Value
$1,699m
Enterprise Value
$19,062m

Company:
Sime Darby Berhad
notes:
Total Portfolio
Industry:
Diversified
Year Formed:
1910

Sime Darby was incorporated in 1910 by businessmen William Sime, Henry d'Esterre Darby and Herbert Mitford Darby to manage 500 acres of rubber estates in Malacca, Malaysia. From such humble beginnings, Sime Darby has grown into one of Malaysia's biggest multinational corporations. Today, Sime Darby is a key player in the Malaysian economy as well as a diversified multinational, with businesses in key growth sectors namely, plantations, industrial equipment, motors, property and energy & utilities with operations in 26 countries and 4 territories. Sime Darby is one of the largest companies listed on Bursa Malaysia and has a market capitalisation of RM46.81 billion (USD10.61 billion) as of 30 September 2015. Sime Darby recognises the importance of balancing economic performance with social responsibility. Committed to developing a sustainable future, Sime Darby strives to maintain an equitable balance between increasing value for shareholders and being responsible to society and the environment.

Malaysia's Top 10 Most Valuable Brands

7 MAXIS

Brand Value
$1,315m
Enterprise Value
$17,030m

Company:
Maxis Bhd
notes:
Total Portfolio Exc. Hotlink
Industry:
Telecommunications
Year Formed:
1993

Maxis is the leading communications service provider in Malaysia, enabling individuals, families and businesses to do more in an Always On world. As the customers increasingly immerse themselves in an ever expanding universe of connected applications, Maxis is obsessed with providing an unmatched end-to-end internet experience – bringing together advanced always on connectivity and always great tech care. Maxis's customers enjoy a superior Internet experience, make voice calls and text, and immerse themselves in an ever expanding universe of connected applications on the most advanced cellular network, encompassing 3G and 4G LTE technologies. Maxis Call Centre was awarded the 'Best of the Best' honour at the 2012 Customer Relationship Management and Contact Centre (CCAM) Annual Awards, being the only service provider that awards scholarships to children of their own post-paid customers. Beyond connecting people with the services, Maxis is passionate about making a positive impact on the community in which it operates. Our Corporate Responsibility efforts aim to develop and enrich the community, customer and partners, making working and learning fun, while advocating environmentally friendly practices.

8 TENAGA NASIONAL

Brand Value
$1,244m
Enterprise Value
$29,717m

Company:
Tenaga Nasional Bhd
notes:
Total Portfolio
Industry:
Utilities
Year Formed:
1990

Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia and one of the largest in the region, with an asset base totalling RM110.7 billion. With a history spanning 65 years, TNB is also the most experienced energy player in the country, responsible in keeping the lights on for all residents of Peninsular Malaysia, Sabah and Labuan. The core businesses span the entire value chain of electricity production and supply encompassing Generation, Transmission and Distribution. Through its subsidiaries, it is also involved in energy-related operations such as the manufacture of transformers, high-voltage switchgears and cables; the provision of professional consultancy services; architectural, civil, electrical engineering works and services, and repair and maintenance. Supporting both core and non-core businesses, TNB has a research and development function that looks into technologies that add value to all the operations. TNB aspires to grow its presence within the region, lending its expertise to Nations experiencing a surge in power demand as a result of rapid socio-economic development. Towards this end, a new division, Energy Ventures, has been established with the mandate to explore possible ventures to participate in within Southeast Asia and the Middle East.

Malaysia's Top 10 Most Valuable Brands

9 DIGI

Brand Value
$1,108m
Enterprise Value
$14,198m

Company:
Digi.Com Bhd
notes:
Total Portfolio
Industry:
Telecommunications
Year Formed:
1995

DiGi.Com Berhad is listed on Bursa Malaysia and is part of the Telenor Group, a global telecommunications provider. DiGi provides mobile voice, Internet and digital services to 11 million customers in Malaysia. Through its mission of 'Internet for All', DiGi is committed to driving Malaysia's growth by building a mobile Internet environment that enables true connectivity, creating socio-economic development and aiding businesses to prosper. DiGi continues to be a game-changer in the Malaysian telecommunications industry with a solid history of innovative products and services while being a leader in progressive and responsible business practices. The rising adoption of mobile Internet services is the biggest driving force for the Malaysian telecommunication industry – accelerated by the increase in smart device usage, stronger networks and faster connection speeds. Digi aims to deliver the best experience to help its customers across Malaysia to harness the capabilities of mobile Internet anytime, anywhere and on any device. As of October 2015, DiGi has 2G coverage of 95% on populated areas, 3G at 87%, 4G LTE at 50%.

10 TM

Brand Value
$1,094m
Enterprise Value
$8,327m

Company:
Telekom Malaysia Bhd
notes:
Total Portfolio
Industry:
Telecommunications
Year Formed:
1984

Telekom Malaysia Berhad, TM, is a Malaysian telecommunications services company with headquarters in Kuala Lumpur, Malaysia. As of April 2014, TM has a workforce of 27,830 employees and over 2.2 million broadband customers. Established as the Telecommunications Department of Malaya in 1946, TM was privatised in 1987, and listed on Bursa Malaysia in 1990. TM, Malaysia's broadband champion and leading integrated information and communications group, offers a comprehensive range of communication services and solutions in broadband, data and fixed-line. As a market leader, TM is driven by stakeholder value creation in a highly competitive environment. The Group places emphasis on delivering an enhanced customer experience via continuous customer service quality improvements and innovations, whilst focusing on increased operational efficiency and productivity. Leveraging on its extensive global connectivity, network infrastructure and collective expertise, TM is well positioned to propel Malaysia as a regional Internet hub and digital gateway for South-East Asia. TM remains steadfast in its transformation into a new generation communications provider to deliver an enhanced and integrated digital lifestyle to all Malaysians, and opening up possibilities through connection, communication and collaboration, towards the shared vision of elevating the nation into a high-income economy.

Malaysia
Top 100 Brands 2015

Rank 2015	Rank 2014	Brand	Parent Company	2015 Brand Value (US$m)	2015 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)	2014 Brand Value (US$m)	2014 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)
1	1	**Petronas**	PETROLIAM NASIONAL BERHAD	9,479	AA	90,290	10%	9,160	AA-	89,290	10%
2	2	**Genting**	GENTING BHD	2,917	AA-	15,114	19%	2,494		15,786	
3	4	**Maybank**	MALAYAN BANKING BHD	2,243	AA+	20,987	11%	2,036	AA+	23,765	9%
4	3	**CIMB**	CIMB GROUP HOLDINGS BHD	1,964	AAA-	13,322	15%	2,041	AAA-	17,867	11%
5	5	**YTL**	YTL CORPORATION BERHAD	1,914	A+	12,569	15%	1,772		11,111	
6	6	**Sime Darby**	SIME DARBY BERHAD	1,699	AA-	19,062	9%	1,496		19,918	
7	8	**Maxis**	MAXIS BHD	1,315	AA	17,030	8%	1,414	AA+	18,075	8%
8	7	**Tenaga Nasional**	TENAGA NASIONAL BHD	1,244	AA-	29,717	4%	1,490		20,382	
9	12	**DiGi**	DIGI.COM BHD	1,108	AA	14,198	8%	895	AA	11,609	8%
10	11	**TM**	TELEKOM MALAYSIA BHD	1,094	AA	8,327	13%	1,051	AA	6,125	17%
11	9	**Public Bank**	PUBLIC BANK BERHAD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
12	13	**Astro Malaysia**	ASTRO MALAYSIA	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
13	17	**Celcom**	AXIATA GROUP BERHAD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
14	14	**Axiata**	AXIATA GROUP BERHAD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
15	21	**Berjaya**	BERJAYA CORP BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
16	10	**Malaysia Airlines**	MALAYSIAN AIRLINE SYSTEM BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
17	16	**IOI**	IOI CORPORATION BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
18	15	**RHB Bank**	RHB CAPITAL BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
19	20	**Berjaya Sports Toto**	BERJAYA SPORTS TOTO BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
20	19	**Airasia**	AIRASIA BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
21	18	**AmBank**	AMMB HOLDINGS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
22	-	**Hong Leong Financial**	HONG LEONG FINANCIAL GROUP	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
23	23	**Kuala Lumpur Kepong**	KUALA LUMPUR KEPONG BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
24	-	**Magnum**	MULTI-PURPOSE HOLDINGS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
25	24	**Ihh Healthcare B**	IHH HEALTHCARE B	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
26	28	**Misc**	MISC BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
27	25	**Setia**	SP SETIA BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
28	26	**Parkson**	PARKSON HOLDINGS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
29	30	**Malaysia Airports**	MALAYSIA AIRPORTS HLDGS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
30	33	**Boustead**	BOUSTEAD HOLDINGS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
31	35	**Hap Seng**	HAP SENG CONSOLIDATED	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
32	40	**Batu Kawan**	BATU KAWAN BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
33	31	**Gamuda**	GAMUDA BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
34	39	**Umw**	UMW HOLDINGS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
35	46	**MBSB**	MALAYSIA BUILDING SOCIETY	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
36	36	**Dutch Lady Milk**	DUTCH LADY MILK INDS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
37	32	**Bank Islam**	BIMB HOLDINGS BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
38	41	**DRB-HICOM**	DRB-HICOM BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
39	34	**Star Publications**	STAR PUBLICATIONS (MALAYSIA)	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
40	43	**QI Resources**	QL RESOURCES BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
41	38	**KPJ Healthcare**	KPJ HEALTHCARE BERHAD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
42	45	**Affin**	AFFIN HOLDINGS BERHAD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
43	37	**U Mobile**	U Mobile	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
44	44	**Pos Malaysia**	POS MALAYSIA BERHAD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
45	47	**Alliance Financial**	ALLIANCE FINANCIAL GROUP BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
46	42	**Top Glove**	TOP GLOVE CORP BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
47	50	**Kossan Rubber Industries**	KOSSAN RUBBER INDUSTRIES	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
48	49	**Padini**	PADINI HOLDINGS BERHAD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
49	51	**Mmc**	MMC CORP BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒
50	52	**Bonia**	BONIA CORP BHD	🔒	🔒	🔒	🔒	🔒	🔒	🔒	🔒

Valuation date: 1 January 2015

Malaysia
Top 100 Brands 2015

Rank 2015	Rank 2014	Brand	Parent Company	2015 Brand Value (US$m)	2015 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)	2014 Brand Value (US$m)	2014 Brand Rating	Enterprise Value (US$m)	Brand Value / Enterprise Value (%)
51	56	**Time dotCom**	TIME DOTCOM BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
52	-	**Westports Holdin**	WESTPORTS HOLDIN	🔒		🔒	🔒	🔒	🔒	🔒	🔒
53	48	**Ta Enterprise**	TA ENTERPRISE BERHAD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
54	54	**Puncak Niaga**	PUNCAK NIAGA HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
55	62	**Cagamas Berhad**	Cagamas Berhad	🔒		🔒	🔒	🔒	🔒	🔒	🔒
56	59	**Malaysian Reinsurance**	MNRB HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
57	53	**Wah Seong**	WAH SEONG CORP BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
58	61	**Yes**	Yes	🔒		🔒	🔒	🔒	🔒	🔒	🔒
59	58	**Bursa Malaysia**	BURSA MALAYSIA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
60	-	**Matrix Concepts**	MATRIX CONCEPTS	🔒		🔒	🔒	🔒	🔒	🔒	🔒
61	70	**Cahya Mata Sarawak**	CAHYA MATA SARAWAK BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
62	63	**Kulim Malaysia**	KULIM MALAYSIA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
63	64	**Lpi Capital**	LPI CAPITAL BERHAD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
64	57	**Tan Chong Motor**	TAN CHONG MOTOR HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
65	67	**Bank Muamalat Malaysia**	Bank Muamalat Malaysia	🔒		🔒	🔒	🔒	🔒	🔒	🔒
66	65	**Ijm**	IJM CORP BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
67	73	**Padiberas Nasional**	PADIBERAS NASIONAL BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
68	69	**Store**	STORE CORP BHD/THE	🔒		🔒	🔒	🔒	🔒	🔒	🔒
69	60	**Dksh Malaysia**	DKSH HOLDINGS MALAYSIA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
70	68	**P1**	P1	🔒		🔒	🔒	🔒	🔒	🔒	🔒
71	79	**K & N Kenanga**	K & N KENANGA HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
72	74	**Masteel**	MALAYSIA STEEL WORKS KL BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
73	-	**Tune Ins Holding**	TUNE INS HOLDING	🔒		🔒	🔒	🔒	🔒	🔒	🔒
74	55	**Lion Corporation**	LION CORP BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
75	75	**Southern Steel**	SOUTHERN STEEL BERHAD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
76	84	**Hiap Teck Venture**	HIAP TECK VENTURE BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
77	77	**CCM**	CHEMICAL CO OF MALAYSIA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
78	83	**PPB Group**	PPB GROUP BERHAD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
79	81	**Media Prima**	MEDIA PRIMA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
80	91	**Takaful Ikhlas**	MNRB HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
81	-	**Genting Plantations Bhd**	GENTING PLANTATIONS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
82	-	**Jaya Tiasa**	JAYA TIASA HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
83	87	**KNM**	KNM GROUP BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
84	93	**V.S. Industry**	V.S. INDUSTRY BERHAD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
85	85	**Msm Malaysia**	MSM MALAYSIA HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
86	90	**United Plantations**	UNITED PLANTATIONS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
87	88	**Kwantas**	KWANTAS CORP BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
88	86	**Ancom**	ANCOM BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
89	96	**Nylex Malaysia**	NYLEX MALAYSIA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
90	94	**MIG-Melewar**	MELEWAR INDUSTRIAL GROUP BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
91	-	**Mulpha**	MULPHA INTERNATIONAL BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
92	100	**Wing Tai Malaysia**	WING TAI MALAYSIA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
93	97	**Ta Ann**	TA ANN HOLDINGS BERHAD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
94	-	**Osk Holdings Bhd**	O.S.K. HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
95	98	**KUB**	KUB MALAYSIA BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
96	99	**FCW**	FCW HOLDINGS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
97	-	**Icon Offshore**	ICON OFFSHORE	🔒		🔒	🔒	🔒	🔒	🔒	🔒
98	-	**Comintel Corp Bh**	COMINTEL CORP BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
99	-	**Xox**	XOX BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒
100	-	**Malaysian Bulk Carriers Bhd**	MALAYSIAN BULK CARRIERS BHD	🔒		🔒	🔒	🔒	🔒	🔒	🔒

Valuation date: 1 January 2015

Background On Intangible Asset Value

An intangible asset is 'an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes'. According to Malaysian Financial Reporting Standard ("FRS") 138, the definition of an intangible asset requires it to be:

A) Identifiability
B) Control
C) Future Economic Benefits

Identifiability

An intangible fixed assets must be separately identifiable so that they can be clearly distinguished from goodwill. Goodwill arising from the enterprise merger of re-purchase character is shown with a payment made by the asset purchaser in order so as to possibly obtain future economic benefits. An intangible fixed asset is considered identifiable when the enterprises may lease, sell or exchange it or acquire concrete future economic benefits therefrom. Those assets which can only generate future economic benefits when combined with other assets shall be still seen as separately identifiable if the enterprises can determine with certainty future economic benefits to be brought about by such assets.

Control

An enterprise is in control of an asset if it has the right to acquire future economic benefits yielded by such asset and, at the same time, is able to limit other subjects' access to these benefits. The enterprise's controllability of future economic benefits from intangible fixed assets, often derives from legal rights. Market knowledge and expertise may bring about future economic benefits. The enterprise may control these benefits if they have legal right, for example: Copyright, aquatic resource exploitation permit. If an enterprise has a contingent of skilled employees and through training, it may ascertain that improvement of their employees' knowledge would bring about future economic benefits, but it is unable to control these economic benefits, therefore the enterprise cannot recognize such as an intangible fixed asset. Leadership talent and professional techniques shall not be recognized as intangible fixed assets except where these assets are secured with legal rights to use them and acquire future economic benefits and, at the same time, meet all the requirements of the intangible fixed asset definition and recognition criteria. For enterprises which have customers' name lists or market shares, if they have neither legal rights nor other measures to protect or control economic benefits from the relations with customers and their loyalty, they must not recognize these as intangible fixed assets.

Future Economic Benefits

Future economic benefits yielded by intangible fixed assets for the enterprises may include: Turnover increase, saved costs, or other benefits originating from the use of intangible fixed assets. The enterprises must determine the degree of certainty to acquire future economic benefits through using reasonable and grounded assumptions on the economic conditions which will exist throughout the useful life of the assets. Intangible fixed assets must have their initial value determined according to their historical cost.

Types of Intangible Assets

Intangible assets can be broadly grouped into three categories:

1. Rights: leases; distribution agreements; employment contracts'; covenants'; financing arrangements; supply contracts; licenses; certifications; franchises.

2. Relationships: trained and assembled workforce; customer and distribution relationships.

3. Intellectual property: trademarks; patents; copyrights'; proprietary technology (e.g. formulas; recipes; specifications; formulations; training programs; marketing strategies; artistic techniques; customer lists; demographic studies; product test results; business knowledge – processes; lead times; cost and pricing data; trade secrets and know-how).

In addition, there is what is sometimes termed 'Unidentified Intangible Assets', including 'internally generated goodwill' (or 'going concern value'). It is important to recognise the distinction between internally-generated and acquired intangible assets. Current accounting standards only allow acquired intangible assets to be recognised on the balance sheet. However, this is provided that they meet the above-mentioned criteria i.e. internally generated intangibles of a company cannot be explicitly stated on its balance sheet.

This results in what is sometimes described as 'internally generated goodwill'. This is the difference between the fair market value of a business and the value of its identifiable net assets. Although this residual value is not strictly an intangible asset in a strict sense (i.e. a controlled "resource" expected to provide future benefits), it is treated as an intangible asset in a business combination when converted into goodwill on the acquiring company's balance sheet.

Intangible assets that may be recognised on a balance sheet under FRS 138 are typically only a fraction of the total intangible asset value of a business, with the remaining value continuing to be classified as 'goodwill'. Brands, if acquired, can be identified under these rules and added to the balance sheet. This results in an unusual situation where internally-generated brands of the acquiree may be recognised on the acquirer's balance sheet but the acquirer's own internally-generated brands may not. For this reason, Brand Finance thinks there is a strong case for the inclusion of internally generated brands on the balance sheet.

Brands fulfil the definition of intangible assets above, in that they are controlled by management, provide future economic benefits and are identifiable and therefore can be sold, transferred or licensed as appropriate. We are increasingly seeing companies taking advantage of this transferability by moving brands (including trademarks and other associated intellectual property, such as design rights and other marketing collateral) to special purpose vehicles, such as brand holding companies, for the purpose of raising finance and tax planning.

Value Characteristics of Definition of Intangible Assets

Valuation of intangible assets requires an understanding of their characteristics and the role that they play in the entire value chain. The following attributes of intangible assets have important value implications:

- **Absence of efficient trading markets:**
  Unlike tangible assets, the absence of efficient trading markets for intangible assets makes the market approach to valuation by using transaction price not possible.

- **Lack of a linear relationship between investment and returns:**
  This limits the use of the cost approach to valuation, except for easily replicable assets.

- **Poor non-financial metrics to measure the quality of intangible asset:**
  Nevertheless, useful valuation insights can be gained from sources such as market research, intellectual property audits and business plans.

- **Value is derived from interactions with other assets (both tangible and intangible):**
  This results in a complex value chain, and thus calls for the need of value maps to explore the interactions between them.

- **Specific bundle of rights (legal and otherwise):**
  There are rights associated with the existence of any intangible asset.

- **The need for convenient identification:**
  For valuation purposes, the intangible assets must be readily identifiable and capable of being separated from the other assets employed in the business. It is sometimes necessary to group complementary intangibles for valuation purposes.

- **The need for a detailed and precise definition of the asset:**
  This is particularly important where this consists of a bundle of rights. The components should be broken down in terms of specific trademarks, copyright, design rights, formulations, patents, and trade secrets.

Impact on Managment and Investors

Management

Perhaps the most important impact of new reporting standards has been on management accountability. Greater transparency, rigorous impairment testing and additional disclosure will mean more scrutiny both internally and externally. The requirement of the acquiring company having to explain at least a part of what was previously considered as "goodwill" should help analysts to analyse deals more closely and gauge whether management have paid a sensible price. The new standards will also have a significant impact on the way companies plan their acquisitions. When considering an acquisition, to assess the impact on the consolidated group balance sheet and profit and loss post-acquisition, a detailed analysis of all the target company's potential assets and liabilities is recommended.

Companies need to pay close attention to the likely classification and useful economic lives of the identifiable intangible assets in the target company's business. This will have a direct impact on the future earnings of the acquiring group. In addition to amortisation charges for intangible assets with finite useful economic lives, impairment tests on assets with indefinite useful economic lives may lead to one-off charges. This is particularly so if the acquired business falls short of expectations post-acquisition. The requirement for separate balance sheet recognition of intangible assets, together with impairment testing of those assets and also goodwill, is expected to result in an increase in the involvement of independent specialist valuers in valuations and appropriate disclosure.

Investors

The requirement for companies to attempt to identify what intangible assets they are acquiring as part of a corporate transaction may provide evidence as to whether a group has overpaid in a deal. Subsequent impairment tests may also shed light on whether the price paid was a respectable one for the acquiring company's shareholders. Regular impairment testing is likely to result in a greater volatility in financial results. Significant one-off impairment charges may indicate that a company has overpaid for an acquisition and have the potential to damage the credibility of management in the eyes of the investment community. Analysts and investors are often sceptical about disclosed intangible assets. In the case of brand (and other intangible asset) valuation, where a high degree of subjectivity can exist, it is important to demonstrate that best practices have been applied and that the impairment review process is robust.

Tax and Intangible Assets: IPCo Aspect

Other than M&A, strategic planning and ROI analysis, the rise in the importance of marketing intangibles can often mean that there is a strong business case for setting up a central intellectual property (IP) holding company (IPCo). Locating and managing an IPCo from one central location, potentially in a low tax jurisdiction, makes a compelling commercial case, particularly where a group is active in a number of different territories.

The size and authority of the IPCo are variable and dependent on the requirements of the group in question. The benefits include greater IP protection and consistency and improved resource allocation. It is important that genuine commercial drivers for the establishment of IPCo can be demonstrated.

Examples of established IPCo's by global companies:

- BATMark (in UK, US, Switzerland & Netherlands)
- Shell Brand International AG (Switzerland)
- Société des Produits Nestlé (Switzerland)
- Philip Morris Products SA (Switzerland)
- Marvel Characters, Inc (USA)

Commercial benefits of central IPCo's include:

- Better resource allocation.
- Higher return on brand investment.
- Tax savings under certain circumstances.
- Clarity of the strength, value and ownership of the IP will ensure that full value is gained from third party agreements.
- Internal royalties result in greater visibility of the true economic performance of operating companies improved earnings streams from external licenses.
- More effective and efficient IP protection will reduce the risk of infringement or loss of a trademark in key categories and jurisdictions.
- Internal licenses should be used to clarify the rights and responsibilities of the IPCo and operating units. The adoption of consistent and coherent brand strategy, marketing investment and brand control improves brand performance.

This can have the following results:

- Accumulation of profits in a low tax jurisdiction.
- Tax deductions in high tax jurisdictions.
- Tax deductions for the amortisation of intangibles in IPCo.
- Depending on double tax treaties, the elimination or reduction of withholding taxes on income flows resulting from the exploitation of the IP.

Trademarks and Other Intangibles

Outlook, Importance, Challenges and Opportunities

Samir Dixit
Managing Director, Brand Finance Asia Pacific

Importance of Intellectual Property for the Country

The IP industry drives significant contribution to the economies and it has increased by US$ 40 trillion since 2001. Of these, over US$ 18 trillion were intangibles. In our annual published Global Intangible Financial Tracker (GIFT) report, the current global Enterprise Value is US$ 71 trillion, of which US$ 33.1 trillion is the tangibles. The global intangibles are therefore upwards of US$ 38 trillion to be more precise. (US$11 trillion is disclosed and US$26.5 trillion is undisclosed value).

Malaysia has a total intangible value of about US$184 billion while total of ASEAN is about US$ 956 billion. That means Malaysia represents only merely 19% of the ASEAN value.

Importance of IP for the Businesses

Intangibles form a large part of the business value - 53% globally and 39% in Malaysia. Depending on the type of business and the geographic penetration, the value of Intangibles and how it contributes to the business success varies. This is recognised by the shareholders and investors but unfortunately, the marketing fraternity and the management seldom pays attention to the Intangibles. This is demonstrated by the fact that most companies would not even know the value of their most important intangible – The BRAND.

Currently, 53% of all companies' value globally is in the Intangibles – disclosed & undisclosed. It shows that a very large number of companies do not know anything about or ignore from managing it as a business asset.

Importance of Trademarks (Brand) for the Business

Depending on the type of business and the geographic penetration, the value of Intangibles and how it contributes to the business success varies. While trademarks or brands are one of the many forms of IPs, Trademark/Brand is one of the most important and highest value contributing vs. others forms of Intellectual Property. There are however differences for B2B and B2C companies.

- Brand is estimated to be 50-70% of the total value of the intangibles for a brand driven business – e.g. Berjaya Sports Toto has an EV to BV of over 40%.

- Brand finance has been tracking performance of strongly branded companies since 2007 and it is proven that companies with stronger brands perform better financially.

- Even a country as a brand contributes to the success of the nation-based businesses. The "GREAT" campaign from Britain and several other success stories of using country brand to drive economic and business success are proven examples.

- Malaysia as a nation brand is ranked 28th globally (improved from 29th in 2014) with a value of USD406 billion in 2015, that proves that the "country brand" does not seem to be fully exploited by the business in Malaysia.

Trademarks vs. Patents

Business Need

We have always talked about patents which of course are important. However, in the overall IP universe, the brand importance and their value contribution far exceeds the business contributions from the patents.

Patents usually have to be bundled together with other forms of IP and offered as a "branded benefit" which is critical for their commercial success.

Therefore it is safe to say that a company usually needs a strong brand to exploit the full value and potential of a patent and drive its commercial success. But a strong brand does not necessarily require a patent to drive success.

- A patent always needs a brand

- A brand does not always require a patent.

Useful Economic Life of Patents vs Brands.

Unlike brands, patents have a significantly lower useful economic life. The usefulness gets further shortened with fast pace of technological changes and further improvements of patents by others.

Trademarks or Brands on the other hand have an infinite useful economic life as long as they are managed and invested into and continue to provide the competitive advantage which gets enhanced over time through effective management.

Depreciating vs. Appreciating IP Value

Patents and trademarks as two important forms of IP for the businesses have a uniquely opposite characteristic.

While patents are a depreciating IP due to the limited useful economic life, a brand is an appreciating IP.

Volume vs. Value Contribution

Patents are short term volume drivers. With patents, companies can make drive quick sales volume and monetary gains in a short period of time. Brands or trademarks on the other hand require investment & nurturing and are long term value drivers for any business.

So to conclude, if Malaysia wants to have stronger Intellectual Property existence and contribution in ASEAN (& ASIA), it needs to have just as much focus on the Trademarks as it currently has on Patents. It needs to shift gears from short term gains to long term value creation.

New International Standard On Brand Valuation

David Haigh
CEO, Brand Finance plc

In 2007, the International Organisation for Standardisation ('ISO'), a worldwide federation of national standard setting bodies, set up a task force to draft an International Standard ('IS') on monetary brand valuation.

After 4 years of discussion and deliberation ISO 10668 – Monetary Brand Valuation – was released in 2010. This sets out the principles, which should be adopted when valuing any brand.

THE NEW ISO APPLIES TO BRAND VALUATIONS COMMISSIONED FOR ALL PURPOSES, INCLUDING:

- Accounting and financial reporting
- Insolvency and liquidation
- Tax planning and compliance
- Litigation support and dispute resolution
- Corporate finance and fundraising
- Licensing and joint venture negotiation
- Internal management information and reporting • Strategic planning and brand management

THE LAST OF THESE APPLICATIONS INCLUDES:

- Brand and marketing budget determination
- Brand portfolio review
- Brand architecture analysis
- Brand extension planning

Under ISO 10668 the brand valuer must declare the purpose of the valuation as this affects the premise or basis of value, the valuation assumptions used and the ultimate valuation opinion, all of which need to be transparent to a user of the final brand valuation report.

REQUIRED WORK STREAMS IN AN ISO COMPLIANT BRAND VALUATION?

ISO 10668 is a 'meta standard' which succinctly specifies the principles to be followed and the types of work to be conducted in any brand valuation. It is a summary of existing best practice and intentionally avoids detailed methodological work steps and requirements.

As such, ISO 10668 applies to all proprietary and non-proprietary brand valuation approaches and methodologies that have been developed over the years, so long as they follow the fundamental principles specified in the meta standard.

ISO 10668 specifies that when conducting a brand valuation the brand valuer must conduct 3 types of analysis before passing an opinion on the brand's value.

These are Legal, Behavioural and Financial analysis. All three types of analysis are required to arrive at a thorough brand valuation opinion. This requirement applies to valuations of existing brands, new brands and extended brands.

MODULE 1 - LEGAL ANALYSIS

The first requirement is to define what is meant by 'brand' and which intangible assets should be included in the brand valuation opinion.

ISO 10668 begins by defining Trademarks in conventional terms but it also refers to other Intangible Assets ('IA') including Intellectual Property Rights ('IPR') which are often included in broader definitions of 'brand'.

International Financial Reporting Standard ('IFRS') specifies how all acquired assets should be defined, valued and accounted for post-acquisition. It refers to five specific IA types, which can be separated from residual Goodwill arising on acquisition.

These are: technological, customer, contractual, artistic and marketing related IA.

ISO 10668 mirrors this classification by defining brands as marketing related IA, including trademarks and other associated IPR. This refers inter alia to design rights, domain names, copyrights and other marketing related IA and IPR which may be included in a broader definition of 'brand'.

The brand valuer must precisely determine the bundle of IA and IPR included in the definition of 'brand' subject to valuation. He may include names, terms, signs, symbols, logos, designs, domains or other related IPR intended to identify goods and services and which create distinctive images and associations in the minds of stakeholders, generating economic benefits for the branded business.

The brand valuer is required to assess the legal protection afforded to the brand by identifying each of the legal rights that protect it, the legal owner of each relevant legal right and the legal parameters influencing negatively or positively the value of the brand.

It is vital that the brand valuation includes an assessment of the legal protection afforded to the brand in each geographical jurisdiction and product or service registration category. These legal rights vary between legal systems and need to be carefully considered when forming the brand valuation opinion. For example, the legal rights protecting brands exist at a national (UK), supra-national (EU) and global (WIPO) level and have different characteristics.

Extensive due diligence and risk analysis is required in the Legal analysis module of an ISO 10668 compliant brand valuation. It should be noted that the Legal analysis must be segmented by type of IPR, territory and business category.

The brand valuation opinion may be affected positively or negatively by the distinctiveness, scope of use or registration (territory and business category), extent of use, notoriety of the brand, risk of cancellation, priority, dilution and the ability of the brand owner to enforce such legal rights.

MODULE 2 - BEHAVIOURAL ANALYSIS

The second requirement when valuing brands under ISO 10668 is a thorough behavioural analysis. The brand valuer must understand and form an opinion on likely stakeholder behaviour in each of the geographical, product and customer segments in which the subject brand operates.

To do this, it is necessary to understand:

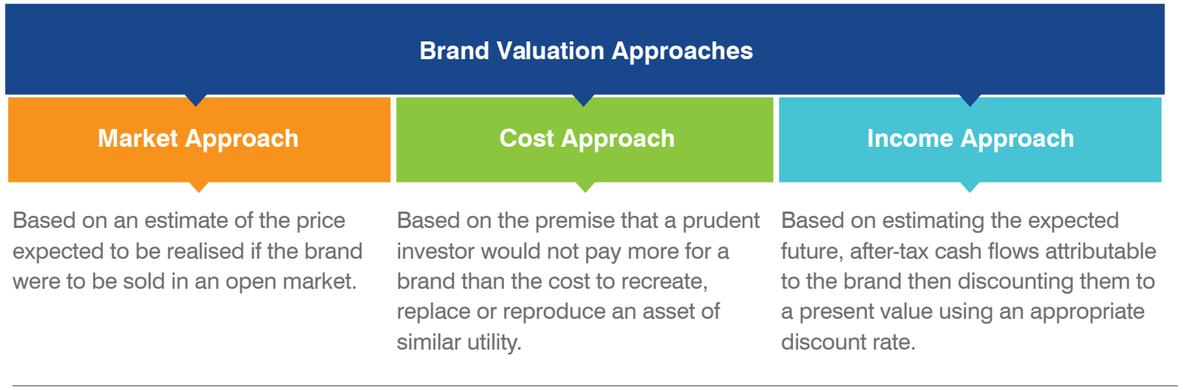
- Market size and trends - determined by conducting a critical review of predicted trends in distribution channels, customer demographics, market volumes, values and margins.
- Contribution of brand to the purchase decision - determining the monetary brand contribution in the geographical, product and customer segments under review.
- Attitude of all stakeholder groups to the brand - to assess the long-term demand for the brand, any risks to the branded business and the appropriate cost of capital.
- All economic benefits conferred on the branded business by the brand - to assess the sustainability of future revenues and profits.

The brand valuer needs to research brand value drivers, including an evaluation of relevant stakeholders' perceptions of the brand in comparison with competitor brands. Measures commonly used to understand brand strength include awareness, perceptual attributes, knowledge, attitude and loyalty. The brand valuer needs to assess the brand's strength in order to estimate future sales volumes, revenues and risks.

MODULE 3 - FINANCIAL ANALYSIS

The third requirement when valuing brands under ISO 10668 is a thorough financial analysis.

ISO 10668 specifies three alternative brand valuation approaches - the Market, Cost and Income Approaches. The purpose of the brand valuation, the premise or basis of value and the characteristics of the subject brand dictate which primary approach should be used to calculate its value.



Market approach

The market approach measures value by reference to what other purchasers in the market have paid for similar assets to those being valued. The application of a market approach results in an estimate of the price expected to be realised if the brand were to be sold in the open market. Data on the price paid for comparable brands is collected and adjustments are made to compensate for differences between those brands and the brand under review.

As brands are unique and it is often hard to find relevant comparables, this is not a widely used approach.

Cost approach

The cost approach measures value by reference to the cost invested in creating, replacing or reproducing the brand. This approach is based on the premise that a prudent investor would not pay more for a brand than the cost to recreate, replace or reproduce an asset of similar utility.

As the value of brands seldom equates to the costs invested creating them (or hypothetically replacing or reproducing them), this is not a widely used approach.

Income approach

The income approach measures value by reference to the economic benefits expected to be received over the remaining useful economic life of the brand. This involves estimating the expected future, after-tax cash flows attributable to the brand then discounting them to a present value using an appropriate discount rate.

As the value of brands stems from their ability to generate higher profits for either their existing or potential new owners, this is the most widely accepted and utilised brand valuation approach.

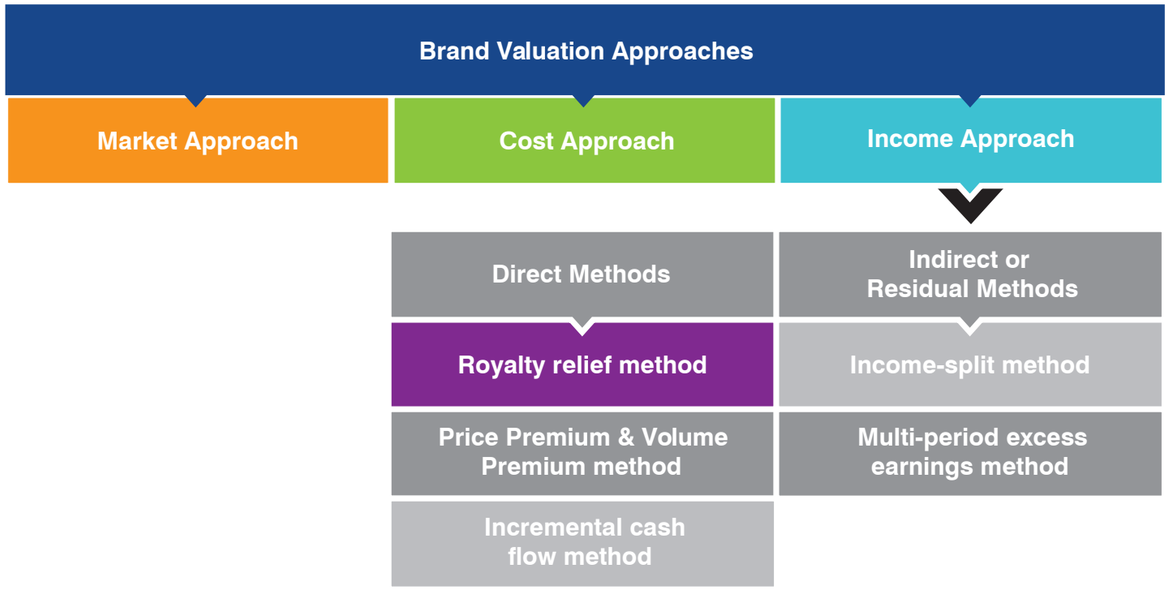
When conducting a brand valuation using the income approach, various methods are suggested by ISO 10668 to determine future cash flows.

Royalty relief method

This is the most widely used method used to determine brand cash flows. This method assumes that the brand is not owned by the branded business but is licensed in from a third party. The value is deemed to be the present value of the royalty payments saved by virtue of owning the brand.

The royalty rate applied in the valuation is determined after an in-depth analysis of available data from licensing arrangements for comparable brands and an appropriate split of brand earnings between licensor and licensee, using behavioural and business analysis.

The Royalty Relief method is widely used because it is grounded in commercial reality and can be benchmarked against real world transactions.



Price premium and volume premium methods

The Price Premium method estimates the value of a brand by reference to the price premium it commands over unbranded, weakly branded or generic products or services. In practice it is often difficult to identify unbranded comparators. To identify the full impact on demand created by a brand, the Price Premium method is typically used in conjunction with the Volume Premium method.

The Volume Premium method estimates the value of a brand by reference to the volume premium that it generates. Additional cash flows generated through a volume premium are determined by reference to an analysis of relative market shares. The additional cash flow generated by an above average brand is deemed to be the cash flow related to its 'excess' market share. In determining relevant volume premiums, the valuer has to consider other factors which may explain a dominant market share, such as legislation which establishes a monopoly position for one brand.

Taken together, the Price Premium and Volume Premium methods provide a useful insight into the value a brand adds to revenue drivers in the business model. Other methods go further to explain the value impact of brands on revenue and cost drivers.

Income-split method

The income-split method starts with net operating profits and deducts a charge for total tangible capital employed in the branded business, to arrive at 'economic profits' attributable to total intangible capital employed. Behavioural analysis is then used to identify the percentage contribution of brand to these intangible economic profits. The same analysis can be used to determine the percentage contribution of other intangible assets such as patents or technology. The value of the brand is deemed to be the present value of the percentage of future intangible economic profits attributable to the brand.

Multi-period excess earnings method

The multi-period excess earnings method is similar to the income-split method. However, in this case the brand

valuer first values each tangible and intangible asset employed in the branded business (other than the brand). He uses a variety of valuation approaches and methods depending on what is considered most appropriate to each specific asset.

Having arrived at the value of all other tangible and intangible assets employed in the branded business, a charge is then made against earnings for each of these assets, leaving residual earnings attributable to the brand alone. The brand value is deemed to be the present value of all such residual earnings over the remaining useful economic life of the brand.

Incremental cash flow method

The incremental cash flow method identifies all cash flows generated by the brand in a business, by comparison with comparable businesses with no such brand. Cash flows are generated through both increased revenues and reduced costs.

This is a more detailed and complex approach, which tends not to be used in technical brand valuations but is extremely useful for strategic, commercial purposes such as when Virgin negotiates a new brand license with a new licensee. The incremental value added to the licensee's business form's the starting point for the negotiation.

Discount rate determination

Under the income approach, risks that are not already reflected in future cash flows must be considered in the discount rate.

The discount rate used for discounting future expected cash flows attributable to a brand is usually derived from the Weighted Average Cost of Capital ('WACC') of the business.

HOW SHOULD INTERNATIONAL BRANDS APPROACH THE VALUATION OF EXISTING MARKS?

ISO 10668 was developed to provide a consistent framework for the valuation of local, national and international brands both large and small. The primary concern was to create an approach to brand valuation which was transparent, reconcilable and repeatable. In the wake of the standard's launch, it is expected that many businesses will either value their brands for the first time or revalue them compliant with the standard.

HOW SHOULD COMPANIES APPROACH THE QUESTION OF BRAND DIVERSIFICATION VERSUS ENTRENCHMENT?

Common commercial applications of brand valuation are brand portfolio and brand architecture reviews. The first considers whether the right number of brands and sub-brands are in the portfolio. The second considers whether individual brands are too fragmented and extended.

A good example of both applications at work can be found in Unilever's 'Path to Growth' strategy. In 2000, Niall Fitzgerald announced a plan to increase Unilever's annual revenue growth rate to 5-6% with margins of 16%.

To achieve this, Unilever's 1600 brands were to be valued, reviewed and rationalised down to 400 power brands. The a priori assumption was that many smaller, local brands were sub-optimal and offered slower growth prospects than the global brands. Within 2 years, 1200 under-performing local and regional brands were sold or starved of investment to feed the growth of the 400 global power brands.

In many respects the Unilever policy made sense. For example, Dove has been turned into a global power brand with diversification into many product lines and market segments, rapid volume growth, and revenues and profits measured in billions of dollars.

However, the strategy sacrificed many new or developing brands in countries like India because they could not be turned into global brands quickly. Local brand owners enthusiastically bought the divested brands or exploited the gap created by starving local Unilever brands of investment.

In this case, internal brand valuation teams were used to evaluate and prioritise the brand portfolio. Unilever is a leading edge company which follows best practices represented by ISO 10668.

Rationalisation and extension was supported by Legal Analysis to establish the strength and extendibility of its brands. Extensive Behavioural Analysis was applied throughout its portfolio and Financial Analysis was conducted by a cadre of internal marketing finance analysts.

If any mistakes were made, it merely demonstrates that brand valuations are a mechanism for decision making which are driven by data, analysis and assumptions that may prove to be incorrect. The ISO standard insists that sensitivity analysis showing a range of values, based on different assumptions, should be included in an opinion, not just a single value.

A brand valuation is an opinion at a point in time. Brand valuation models need to be updated and reviewed on a regular basis, and management decisions need to change in the light of changing conclusions flowing from them.

Brand valuation is a technique to support management, which is why it is vital that the technique should be consistent, transparent and reproducible as required by ISO 10668.

HOW DO YOU VALUE AN EXISTING BRAND, THEN EXTEND THE ANALYSIS TO MEASURE THE POSITIVE AND NEGATIVE IMPACT OF ADDITIONAL TRADEMARKS/BRAND EXTENSIONS TO THE EXISTING BUSINESS/MARKS?

Dove is a good example of a Unilever brand, which was prioritised in the 'Path to Growth' strategy. It has been extended into many product categories and each extension was rigorously valued.

The Dove brand was launched in the US in 1955, as a cleansing soap bar with moisturising properties, which had been developed to treat burn victims during the Korean war. In 1957, the basic Dove soap bar formula was refined and developed into the "Original Dove Beauty bar". It was launched as a beauty soap, clinically proven to be milder on dry and sensitive skins. In 1979, an independent clinical dermatological study proved Dove "Beauty bar" was milder than 17 leading bar soaps. The phrase "cleansing cream" was replaced with "moisturiser cream" in its marketing materials.

Dove was launched in the UK in the 1990s. In 2001, Dove made its first foray into antiperspirant deodorant lines. Hair care products followed in 2003. Dove was launched in the soap category but has always been positioned without referring to it as "soap". It is always referred to as a "beauty bar" with 25% cleansing cream. Positioning the brand this way has allowed it to extend into antiperspirants, deodorants, body washes, beauty bars, lotions, moisturisers, hair care and facial care products globally. It is now a global brand with a variety of sub-brand ranges (Original, Go Fresh, Intensive Care, Supreme, Summer Care).

To become a global brand, Dove needed wide appeal, across cultural, racial and age boundaries. In 2004, it therefore launched the Campaign for Real Beauty, which highlighted the brand's commitment to broadening definitions of beauty. Dove launched the Self Esteem Fund in 2005, which acts as an agent of change to educate and inspire young girls on a wider definition of beauty. It aims to boost the self-confidence of young girls and women, enabling them to reach their full potential in life. In 2007, Dove also launched Pro*Age, a range of skin care, deodorant and hair care specifically designed for mature skin.

Dove's apparently effortless success makes brand extension look easy. But the Unilever marketing team could have stumbled at many points. They needed a clear and universally appealing brand proposition... simple, natural, caring, feminine, healthy, inclusive, multi-cultural, unpretentious, good value. They then needed a strong and memorable brand name that could be registered and defended in all likely product categories and geographical jurisdictions. They needed defensible sub-brand names. They needed a logo (a simply drawn dove), trade dress (predominantly white packaging), compelling copyright (advertising and collateral) and they needed a compelling trade sales force and campaign.

Having gone global in many SKUs, a valid question now hangs over the Dove brand. Has it reached the limits of its capacity to extend? There is a danger that if Dove is extended any further into fragrance, personal care or household products, its brand equity with consumers will become diluted and confused. Its brand value may decline.

IF BRANDS DIVERSIFY, WHAT CHALLENGES DOES THIS CREATE FOR TRADEMARK COUNSEL?

Brand valuations following the ISO 10668 standard help to alert management to all manners of opportunities and threats. They consider the Legal ability of the brand to win protection in new categories, the financial attractiveness of extending into any new categories, the risks posed by new extensions and above all the Behavioural response of consumers to further brand extension.

CONCLUSION

A robust brand valuation can help avoid the fate which befell the Pierre Cardin brand, which was extended and diluted to such an extent that over extension is now referred to as 'Cardinisation'.

The role of trademark counsel in this process is vital.

- Firstly, to keep up with marketing management keen to extend and extend.
- Secondly, to advise whether and how brands and sub-brands can be registered.
- Thirdly, providing advice on the cost efficiency of ever extending trademark protection; some global brands find that they have tens of thousands of trademarks which require huge financial and management support. Trademark counsel working within the brand valuation team help to answer the question of whether this is a value enhancing strategy.

ISO 10668 will help integrate Trademark Counsel into a multi-disciplinary brand management team. Trademark Counsel will no longer be working in their own technical silo.

In my view, ISO 10668 is a major breakthrough, which will help further professionalise the business of brand management.

Transparency in Brand Valuation

Alfredo Chandra
Director, Brand Finance Asia Pacific

There is less regulation of the valuation profession in comparison to the accounting, auditing and legal fraternity. Whilst there are standards which provide a guide to valuers such as those set by the International Valuation Standards Council, many professionals can conduct valuations without any accreditation from a governing body. Organisations requiring valuation services are thus left to choose from a pool of valuers who are mostly unregulated. Whilst the valuation fraternity works towards accreditation and recognition on both a country and global basis, the importance in any valuation exercise is to ensure that valuers are independent from the business being valued.

Valuation is an art, not a just a science. Brand valuations are no different from the valuation of buildings, equipment, pension assets and liabilities, shares, bonds, patents, art, wine and many other assets. If you ask two expert valuers for an asset valuation opinion in any asset class you will inevitably get different answers. Even if they use identical methods and similar assumptions they may come to different conclusions. However, if the calculations are entirely transparent it is possible to form a balance view on the validity of the valuer's opinion. It also helps to know that the valuer reached their opinion independently and objectively. Why might the valuer's independence be compromised?

1. **Self-interest** – having an interest in the outcome of the brand valuation.

2. **Self-review** – both creating the asset and forming a valuation opinion of it.

3. **Advocacy** – compromising an arm's length opinion to promote the client's interest.

4. **Familiarity** – becoming too familiar with the management of the company under review.

5. **Intimidation** – letting commercial or other threats affect the result of the brand valuation.

6. **Process application** – brand valuations should ideally be ISO certified under ISO 10668 as it provides a complete framework which includes bringing in financial, legal, and marketing perspectives that is not regularly done by valuers.

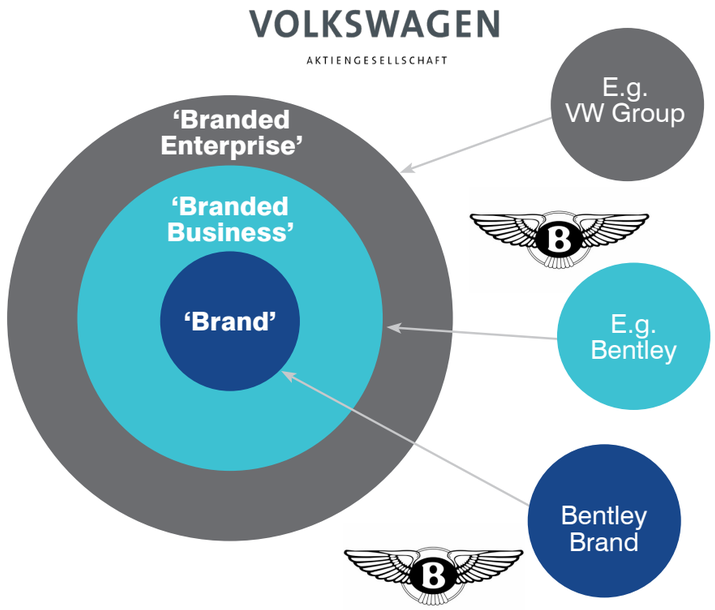
Valuers must be objective and present values that reflect all information at their disposable, without having a predetermined outcome. There is a strong and growing body of opinion that it is impossible for a consultancy to provide genuinely independent brand valuation opinions on brands that they, or their parent company, built in the first place. Brand Finance plc continues to promote the Campaign for Independent Brand Valuation, which promotes strict guidelines on the conduct of brand valuers to avoid actual and perceived threats to their independent judgement.

Unfortunately, Interbrand and Milward Brown are both wholly-owned subsidiaries of marketing services giants (Omnicom and WPP respectively), which make millions of dollars building the very brands their subsidiaries then value Indeed, Interbrand's strapline is 'Creating and managing brand value.'

In the 1980s and 1990s such threats led accountancy bodies and regulators to discourage audit firms from providing consulting and valuation services to their audit clients. We believe the same restriction should apply to the valuation of brands by companies whose primary role is to build them to ensure greater independence and transparency.

Methodology

What do we mean by 'brand'?



Definitions

+ **Enterprise Value** – the value of the entire enterprise, made up of multiple branded businesses

+ **Branded Business Value** – the value of a single branded business operating under the subject brand

+ **Brand Value** – the value of the trade marks (and relating marketing IP and 'goodwill' attached to it) within the branded business

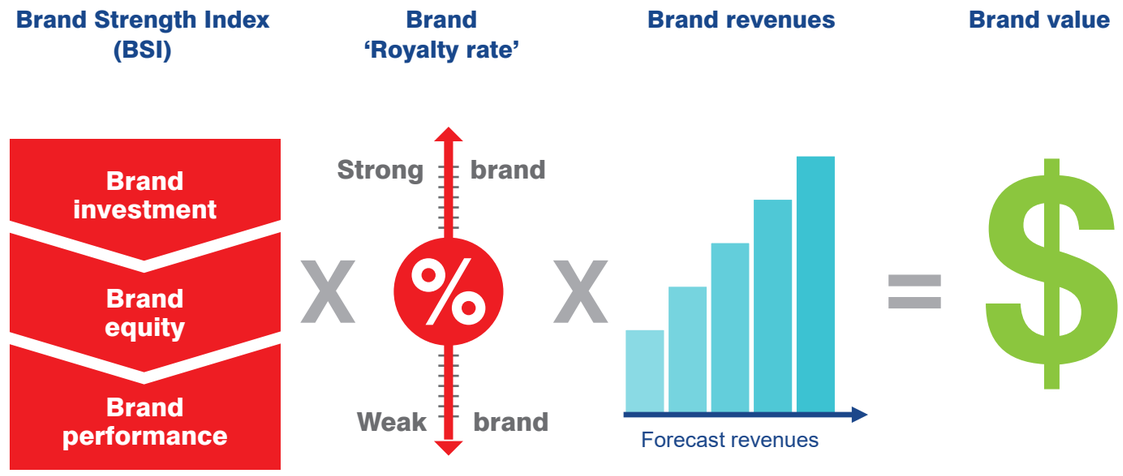
Definition of 'Brand'

In the very broadest sense, a brand is the focus for all the expectations and opinions held by fans, players, staff and other stakeholders about a club. 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"

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management as well as success on the pitch. 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 fans, customers, staff and other stakeholders), which includes on-pitch success, 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.

Methodology



Brand strength expressed as a BSI score out of 100.

BSI score applied to an appropriate sector royalty rate range.

Split revenue into separate streams for each service area. Royalty rates applied to forecast revenues to derive brand values

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

The Valuation Process

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 if it were not already owned.

1. Calculate brand strength on a scale of 0 to 100: the BSI captures the ability of clubs to drum up popular interest and then convert interest into support and custom. The BSI covers three broad topics of brand investment, equity in the form of emotional connection harboured by a brand, and bottom line commercial performance.
2. As brand has differing effects on each source of income, we then split revenues down into three streams: match-day, broadcasting and commercial. As brands have differing effects on different revenue streams, these will each have their own respective royalty rate applicable to them. The royalty rates are derived by looking at comparable agreements and through in-house analysis.
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, equal to the brand value.

Glossary of Terms

Brand

Trademarks and trademark licenses together with associated goodwill

ßrandßeta®

Brand Finance's proprietary method for determining the strength, risk and future potential of a brand relative to its competitor set

Branded Business

The whole business trading under a particular brand or portfolio of brands, the associated goodwill and all the intangible elements at work within the business

Brand Rating

A summary opinion, similar to a credit rating, on a brand based on its strength as measured by Brand Finance's 'Brand Strength Index'

Brand Value

The net present value of the estimated future cash flows attributable to the brand (see Methodology section for more detail)

Discounted Cash Flow (DCF)

A method of evaluating an asset value by estimating future cash flows and taking into consideration the time value of money and risk attributed to the future cash flows

Discount Rate

The interest rate used in discounting future cash flows

Enterprise Value

The combined market value of the equity and debt of a business less cash and cash equivalents

Fair Market Value (FMV)

The price at which a business or assets would change hands between a willing buyer and a willing seller, neither of whom are under compulsion to buy or sell and both having reasonable knowledge of all relevant facts at the time

Holding Company

A company controlling management and operations in another company or group of other companies

Intangible Asset

An identifiable non-monetary asset without physical substance

Net Present Value (NPV)

The present value of an asset's net cash flows (minus any initial investment)

Tangible Value

The fair market value of the monetary and physical assets of a business

Weighted Average Cost of Capital (WACC)

An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds, and other debts, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure

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 almost 20 years we have helped companies to connect their brands to the bottom line, building robust business cases for brand decisions, strategies and investments. In doing so, we have helped finance people to evaluate marketing programmes and marketing people to present their case in the Board Room.

Independence

Brand Finance is impartial and independent. We access and help to manage brands, but we do not create or own them. We are therefore able to give objective, unbiased advice because we have no vested interest in particular outcomes of a project and our recommendations are entirely independent. We are agency agnostic and work collaboratively with many other agencies and consultancies.

Technical credibility

Brand Finance has high technical standards. Our work is frequently peer-reviewed by the big four audit and our work has been accepted by tax authorities and regulatory bodies around the world. We are one of the few companies certified to provide brand valuation that is fully compliant with ISO 10668, the global standard on monetary brand valuations.

Transparency

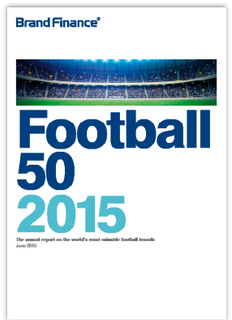
There are no black boxes. Our approach is to work openly, collaboratively and flexibly with clients and we will always reveal the details of our modelling and analysis. This means our clients always understand what lies behind 'the number'.

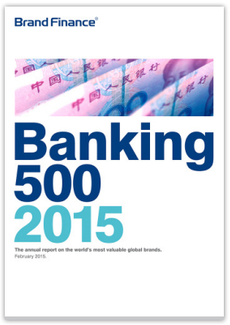
Expertise

We possess a unique combination of skills and experience. We employ functional experts with marketing, research and financial backgrounds, as well as ex-client-side senior management who are used to 'making things happen'. This gives us the mindset to think beyond the analysis and to consider the likely impact on day-to-day operations. We like to think this differentiates us because our team has real operational experience.

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

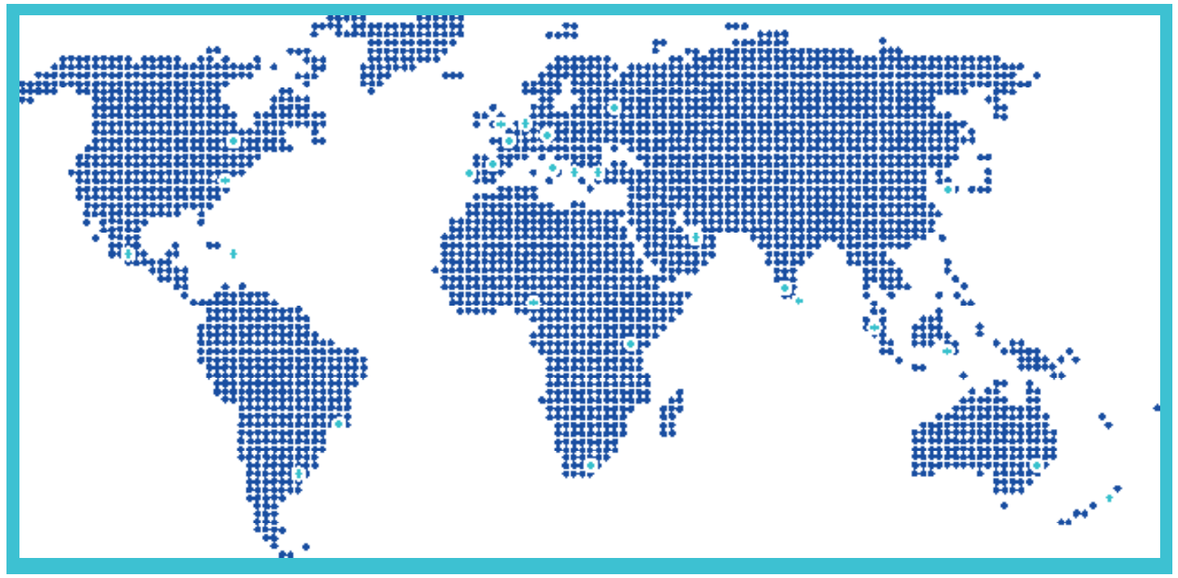
Brand Finance puts thousands of the world's biggest brands to the test every year, evaluating which are the most powerful and most valuable. The Malaysia 100 is just one of the many annual reports produced by Brand Finance. Visit **www.brandirectory.com** to access all the sectors and countries report.





Contact details

Our offices



Contact us

For enquiries, please contact:

Samir Dixit
Managing Director
Brand Finance Asia Pacific
s.dixit@brandfinance.com
+65 6329 9738

Alfredo Chandra
Director
Brand Finance Asia Pacific
a.chandra@brandfinance.com
+65 6329 9739

linkedin.com/company/brand-finance

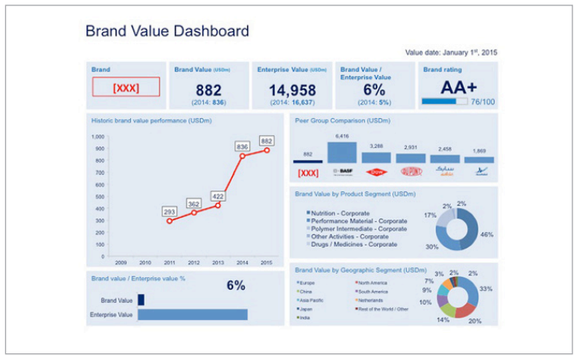
facebook.com/brandfinance

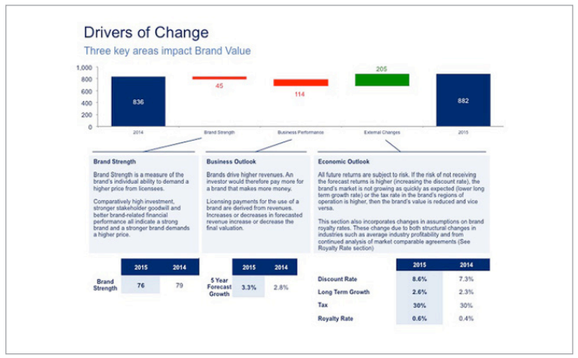
twitter.com/brandfinance

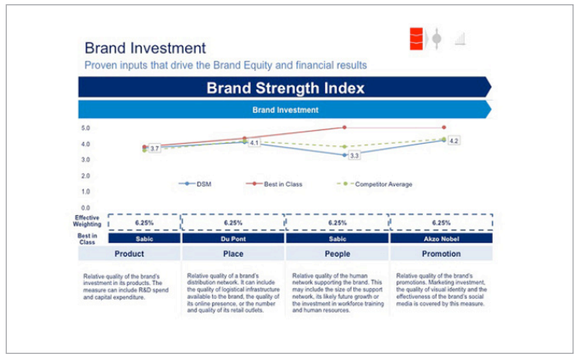
For further information on Brand Finance's services and valuation experience, please contact your local representative:

Country	Contact	Email address
Argentina	Pablo Bolino	p.bolino@brandfinance.com
Australia	Mark Crowe	m.crowe@brandfinance.com
Brazil	Geoffrey Hamilton-Jones	g.hamilton-jones@brandfinance.com
Canada	Bryn Anderson	b.anderson@brandfinance.com
Caribbean	Nigel Cooper	n.cooper@brandfinance.com
Central America	Rajesh Ingle	r.ingle@brandfinance.com
East Africa	Jawad Jaffer	j.jaffer@brandfinance.co.ke
France	Luc Bardin	l.bardin@brandfinance.com
Germany	Dr. Holger Mühlbauer	h.muehlbauer@brandfinance.com
Greece	Ioannis Lionis	i.lionis@brandfinance.com
Holland	Marc Cloosterman	m.cloosterman@brandfinance.com
India	Ajimon Francis	a.francis@brandfinance.com
Indonesia	Jimmy Halim	j.halim@brandfinance.com
Italy	Massimo Pizzo	m.pizzo@brandfinance.com
Middle East	Andrew Campbell	a.campbell@brandfinance.com
Nigeria	Tunde Odumeru	t.odumeru@brandfinance.com
New Zealand	Jai Basrur	j.basrur@brandfinance.com
Portugal	Joao Baluarte	j.baluarte@brandfinance.com
Russia	Alex Eremenko	a.eremenko@brandfinance.com
Singapore	Samir Dixit	s.dixit@brandfinance.com
South Africa	Oliver Schmitz	o.schmitz@brandfinance.com
Spain	Pedro Tavares	p.tavares@brandfinance.com
Sri Lanka	Ruchi Gunewardene	r.gunewardene@brandfinance.com
Turkey	Muhterem Ilguner	m.ilguner@brandfinance.com
UK	Bryn Anderson	b.anderson@brandfinance.com
USA	Ken Runkel	k.runkel@brandfinance.com
Vietnam	Lai Tien Manh	m.lai@brandfinance.com

Understand Your Brand's Value







A League Table Report provides a complete breakdown of the methodology, 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. A full report includes the following sections which can also be purchased individually.

Brand Valuation Summary

Overview of the brand valuation including executive summary, explanation of changes in brand value and historic and peer group comparisons.

+ Internal understanding of brand
+ Brand value tracking

Royalty Rates

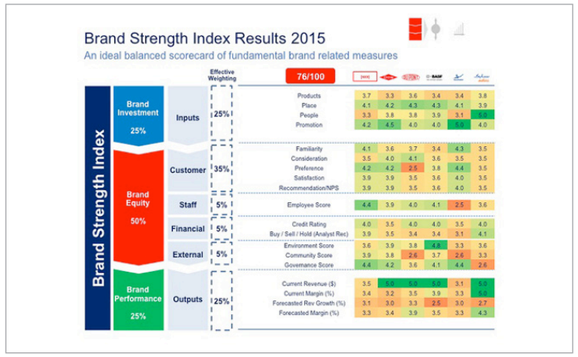
Analysis of competitor royalty rates, industry royalty rate ranges and margin analysis used to determine brand specific royalty rate.

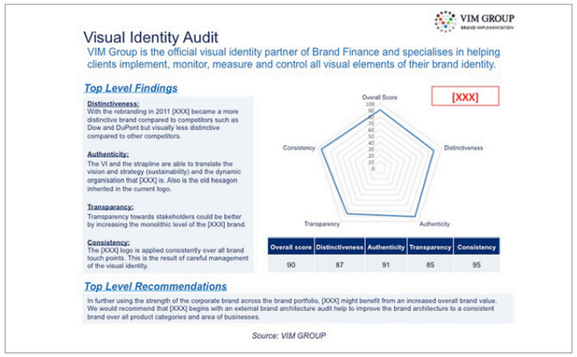
+ Licensing/ franchising negotiation
+ International licensing
+ Competitor benchmarking

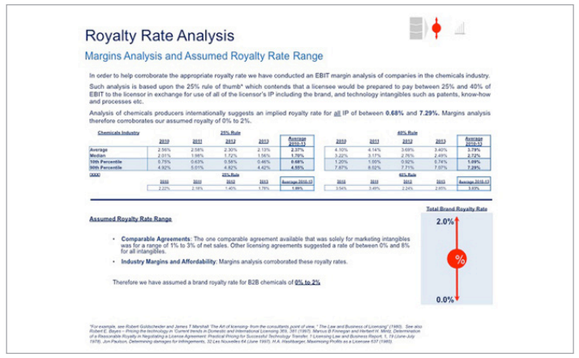
Cost of Capital

A breakdown of the cost of capital calculation, including risk free rates, brand debt risk premiums and the cost of equity through CAPM.

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







Trademark Audit

Analysis of the current level of protection for the brands word marks and trademark iconography highlighting areas where the marks are in need of protection.

+ Highlight unprotected marks
+ Spot potential infringement
+ Trademark registration strategy

For more information regarding our League Table Reports and business enquiry, please contact:

Samir Dixit
Managing Director, Brand Finance Asia Pacific

s.dixit@brandfinance.com
+65 6329 9740

Brand Finance®

Contact us.

The World's Leading Independent Brand Valuation and Strategy Consultancy
T: +65 6329 9740
E: bfs@brandfinance.com
www.brandfinance.com

BRAND·FINANCE®