

BRANDFINANCE[®] SOUTH AFRICA TOP 50

THE ANNUAL REPORT ON SOUTH AFRICA'S 50 MOST VALUABLE BRANDS | AUGUST 2013

South Africa's Big 50

In partnership with



Contents



BRANDFINANCE SOUTH AFRICA TOP 50

The BrandFinance® South Africa's 50 Most Valuable Brands is published by Brand Finance plc, in partnership with Brand South Africa and Brand Africa, and is the only study to rank the top 50 most valuable brands in South Africa



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Foreword



Miller Matola



Thebe Ikalafeng

IT IS NO SURPRISE that the Brand Finance Top 50 Most Valuable Brands account for almost R300 billion, a sizable share of the 400 listed companies on the R9 trillion combined market cap JSE. Brands are the engine of the economy. They are the catalysts for the wealth and identity of a nation.

The Brand Finance Top 50 Brands like the several other reports we undertake, give us a measurable, independent account of how well South Africa is doing in building the nation's wealth and identity as a winning and growing nation. It is therefore not a surprise that structural industries which include finance and telecom feature prominently in the Top 10. They are the drivers for connecting and facilitating the much needed growth in the South African economy.

What these results show and affirm is that Africa's premier Brand Building nation, South Africa continues to inspire, and brands such as MTN, Africa's most valuable global brand are setting the pace for peer brands and businesses. This survey sets the benchmark not just for the top 50, but is a baseline for the rest to guide their growth and development. It locates corporate South Africa and entrepreneurs as central to the reputation and competitiveness of Brand South Africa.

Congratulations to the brands and businesses which have made it onto this authoritative ranking that is based on the actual performance of the brands, and are making South Africa an admired benchmark nation that inspires new ways.

Thebe Ikalafeng

Chairman, Brand Finance Africa

Founder, Brand Africa and Brand Leadership Group

Miller Matola

CEO, Brand South Africa

Executive summary



‘South African brands have great resilience and are engaging innovative strategies to grow’

**Ollie Schmitz, Managing Director,
Brand Finance South Africa**

DESPITE ALL THE challenges of doing business in South Africa over the last 12 months - poor economic growth, a roller coaster Rand, unrest in the mining sector - this year's Brand Finance Most Valuable Brands Survey shows our brands have great resilience and engage innovative strategies to grow.

Our survey shows the combined value of South Africa's 50 Most Valuable Brands has increased +8% from 2012 to ZAR 292 billion. Whilst the technology sector currently produces the most valuable brands globally (Google, Samsung, Apple), South Africa's most valuable sectors are telecoms and banking. It's a confirmation that connectivity remains a priority on the African continent, and that MTN and Vodacom will remain dominant.

With a value of ZAR 43.1 billion and a AAA-brand rating, MTN maintains its position at the top of the table, and is still the only African brand to be ranked in the Global 500 - a league table of the world's 500 most valuable brands.

Of all sectors, it's surely banking that has had to reinvent itself over the past few years as global banking brands have seen billions wiped off their value and consumer mistrust threaten their growth. Here, the South African banking industry has shown itself to be relatively solid, and has proven quick to adopt new technologies and move into new markets to survive the global decline.

Standard Bank remains the most valuable banking brand in South Africa, followed by Absa, but both brands suffered their greatest

drop in brand value since 2012, -21% and -17% respectively. It would seem that new banking consumers trust the emerging banking brands, with Capitec Bank (+42%) and African Bank (+28%) changing the shape of South Africa's banking sector and maintaining its value.

Whilst Capitec Bank is making significant gains - its 42% increase moving the brand up 7 places to 33rd in 2013 - it still trails South Africa's four major banks, Standard Bank, Absa, Nedbank and FNB, all of which rank in the top 10.

Financial Services and Retail both have 13 brands each represented in the Top 50, with Financial Services contributing 27% and Retail 20%.

FirstRand's total portfolio of brands (FNB, Wesbank and RMB) see the brand ranked as the most valuable banking portfolio in South Africa, only marginally edging out Standard Bank in 2013. It will be interesting to see how the different brand architectures of these leading institutions perform in the future, and brings a potential re-brand of competitor Absa to Barclays under the spotlight.

In the Retail sector Woolworths and Checkers have experienced significant increases in their brand value, +25% and +19% respectively, successfully targeting their respective consumer groups in South Africa through strong positioning of the brands. An increasing middle class in South Africa is seeing more people having access to private medical care and medical insurance. This is demonstrated in the significant increases by brands such as Mediclinic and Discovery.

Top 10 most Valuable Brands

Rank 2013	Rank 2012	Brand	Parent Company	Industry Group	BV 2013 (ZAR m)	Change	Brand Rating 2013	EV 2013 (ZAR m)	BV/ EV	BV 2012 (ZAR m)	Brand Rating 2012	EV 2012 (ZAR m)	BV/ EV
1	1	MTN	Mtn Group Ltd	Telecommunications	43,066	-1%	AAA-	299,910	14%	43,300	AAA-	317,601	14%
2	2	Vodacom	Vodacom Group Ltd	Telecommunications	19,386	4%	AA+	173,184	11%	18,692	AA+	152,186	12%
3	4	SASOL	Sasol Ltd	Chemicals	18,372	8%	AA	251,869	7%	17,044	AA+	243,114	7%
4	3	Standard Bank	Standard Bank Group Ltd	Banks	14,200	-21%	AA+	56,102	25%	18,030	AA+	81,729	22%
5	5	ABSA	Absa Group Ltd	Banks	12,411	-17%	AA	114,866	11%	14,955	AA	100,329	15%
6	6	Nedbank	Nedbank Group Ltd	Banks	10,920	20%	AA	80,067	14%	9,098	AA-	67,607	13%
7	9	Woolworths	Woolworths Holdings Ltd	Retail	10,778	25%	AA+	46,009	23%	8,656	AA	28,905	30%
8	7	First National Bank	Firststrand Ltd	Banks	9,487	6%	AAA-	62,704	15%	8,962	AAA-	69,016	13%
9	8	Shoprite	Shoprite Holdings Ltd	Retail - Food Specialists	9,286	4%	AA-	40,551	23%	8,900	A+	31,646	28%
10	14	Mediclinic	Mediclinic International Ltd	Healthcare-Services	8,061	36%	AA-	74,321	11%	5,947	A+	52,120	11%

BV - Brand Value EV - Enterprise Value



1 MTN

With a solid financial performance in 2012, MTN's position as Most Valuable South African Brand is safe from any real threat. At R43bn, MTN is the only African brand to be ranked amongst the Global 500 - The Most Valuable Brands in the World, and is more than twice as valuable as its closest South African competitor. The brand seems perfectly poised to go from strength to strength as its footprint increases year-on-year over the continent and into the Middle East.



2 Vodacom

A comprehensive, smoothly handled re-branding - now almost two years old - has had little negative effect on the Vodacom brand: its value increasing marginally by +4% since 2012. It will be interesting to see what happens should a name change to Vodafone come to pass.



3 SASOL

One of South Africa's most innovative brands and a strong performer in its sector, Sasol's position at number 3 is even more impressive considering its sectors lower role of brand (7% brand value / enterprise value) in the consumer's purchasing decision. Sasol employs approximately 34 000 people worldwide and has operations in 38 countries. It is the largest corporate taxpayer in South Africa



4 Standard Bank

Standard Bank's significant decrease in brand value (-21%) is indicative of a sector that has struggled in the global recession. Despite the bank's well-established African roots, and continued investment in marketing, it faces stiff competition from smaller and emerging financial institutions in the market. Expect a popularity battle between the banking brands for customers and investors alike.



5 Absa

In a year where Barclays increased its stake in Absa to 62%, major strategic decisions face the Absa brand. As Absa's brand value declines by -17% in 2013, its strong South African image continues to lose ground to the likes of FNB and Nedbank. Will Absa become Barclays - aligning it with Barclay's African businesses and global 'Go-To bank' strategy? If so, how will Absa successfully migrate the heritage and underlying equity in its brand in order to avoid further losses?

Top 10 most Valuable Brands



6 Nedbank

Nedbank has had to transform itself from an upmarket, niche bank into a brand appealing to - and accommodating - the full banking spectrum. For the second time in just five years, Nedbank has been voted Africa's Socially Responsible Bank of the Year at the 2013 African Banker Awards. Such recognition has seen Nedbank's brand strength increase by +7 points to 74 in 2013, supporting a significant increase in brand value of +20%.



7 Woolworths

With a strong performance in the food division lifting sales by 11% and its clothing line Country Road growing at four times the market average, Woolworths bottom line figures are matching its top drawer brand status. Woolworths brand value has increased by +25% seeing the brand jump up two places from last year's ranking.



8 First National Bank

After another strong year for the retail bank, FNB is rated as South Africa's Strongest Brand (84 points) in 2013 ahead of closest competitor MTN (81 points). FNB's solid performance sees the brand gaining value on both Standard Bank and Absa. Focus continues on the customer experience and establishing itself as a leader in innovation - something banking consumers are increasingly looking for.



9 Shoprite

Highest ranked grocery and convenience store in Sunday Times' top brands rankings. Shoprite's impressive African expansion - at June 2012 it had 131 non-SA supermarkets in 16 countries - will see it continue to feature strongly in future Most Valuable Brands lists.



10 Mediclinic

Founded in 1983, Mediclinic has hospitals and clinics in South Africa, Namibia, Switzerland and the UAE. The 2011 rebrand has now gained momentum with the brands' strength increasing +5 points since 2012 supporting the brand's significant +36% increase in brand value. The highest upward mover in the top ten - four places - the private hospital group is the sixth largest in the world and now the most valuable Healthcare Services brand in South Africa.

Brand Stories



MTN Africa's global brand

When MTN signed up to be the first ever African global sponsor of the FIFA World Cup in 2010 (reportedly at a cost of \$65m), many doubted the brand's decision. It's reported that the total spend by the telecommunications company over the World Cup period topped R1 billion. 'I am not convinced that any of the regional or lesser sponsors actually get a reasonable return on investment' wrote brand commentator Chris Moerdyk.

The decision however proved to be a shrewd, long-term investment, providing the springboard for MTN to become one of the first truly African global brands. Brand consistency throughout the continent is exemplary with the yellow tide spreading through 16 countries on the continent and 6 more across the Middle East. MTN's change in brand value and brand rating over the period highlights this success. Since 2010 MTN's brand value has risen by 10% to R43bn, and they have seen their brand strength climb from a brand rating of AA to AAA-.

In South Africa the brand has been talking more and more to its customer base through its 'Mahala' (for free) retail campaign. At the same time, emotional, feel good TV commercials remind us how living in a digital world keeps us connected with the ones we love. And keeps us loving the brand that brings it to us.

Vodacom When will they pick up the fone?

Over the years, Vodacom has established itself as a company of firsts: first South African mobile phone brand, first to introduce pay as you go, and first to introduce 3G.

By any measure, the growth of the company has been extraordinary - at one point the fastest of any mobile phone company in the world. The company's focus on its brand image has been no less vigorous, with millions spent on a launch advertising campaign 7 months before the product was even available! Since then, Vodacom has produced some of the best-loved characters and commercials in South African advertising history.

Since rebranding in 2011, Vodacom has seen an increase in brand value of 11% to R19bn, and an increase in brand rating from AA to AA+. While the company is some way behind MTN in sheer brand value size, we may see a very different beast were they to rename. Vodafone is the 13th most valuable brand in the world with a global brand value of R266bn (\$27bn) and a global brand rating of AAA. Facing up to MTN with this type of weight behind them makes Vodacom's future prospects extremely interesting. Don't expect too many dull moments in the South African telecommunications space over the coming few years.



Brand Stories

FirstRand Most valuable African banking portfolio

Standard Bank may be South Africa's Most Valuable Banking Brand, but FirstRand is South Africa's Most Valuable Banking Portfolio according to the Brand Finance Most Valuable Brands list, with a portfolio value of R14bn. FirstRand's constituent parts make up an increasingly powerful whole. Consisting of FNB, RMB, WesBank and Ashburton Investments, the group offers full service banking in 8 southern and east African countries, and provides global investment opportunities through its RMB brand.

Its FNB brand continues to grow in South Africa, taking its long running 'How can we help you' towards a more nation building 'You can help' strategy. A focus on brand appeal and consistency of experience has long been at the core of FNB's value proposition to existing and prospective customers.

Both its FNB and Wesbank brands are talking to consumers on any level, whether it's using humour, emotion, frankness, or the CEO talking straight to camera, suggesting versatile and mature brands that know themselves and their customers.

Innovation has been a key driver in the banking sector as banks look for new ways of differentiating themselves and driving customer growth. FNB won the global Most Innovative Bank of the Year in 2012, seemingly stealing a march on the other 'Big 3' banking institutions, offering the technological advancements consumers are increasingly looking for. Smartphone and tablet incentives for opening new accounts saw FNB become one of the largest distributors of Apple products in South Africa. The bank had a 96% increase in the number of customers opening accounts via the bank's online banking sales channel in 2012.

With this positioning it comes as no surprise to see FNB yet again at the top of the pile as the strongest brand in South Africa for the second year running, with a AAA- brand rating.



Absa Holding on to heritage when change comes knocking

Described as "the birth of a pan-African banking giant," by Absa chairman Garth Griffin, the increase by Barclays of its stake in Absa to 62% raises major questions around the bank's brand strategy going forward. A rebranding exercise is underway at Absa Capital and Absa Investments, with Absa staff in the process of becoming Barclays employees. But maybe the local bank's consolidation with Barclays will end there, with the huge historical goodwill ensconced in its Absa brand - reflected in its 409 branches, 845 ATMs - too valuable to change for its 2,000,000 customers? Or does the bank's recent losses in market share to FNB and Nedbank suggest unifying it with Barclay's African businesses and aligning the group's global 'Go-To bank' strategy? Barclays, with a brand value of R132bn (\$13bn), was ranked the 17th most valuable bank in the world in 2013, 11 times larger than its subsidiary ABSA with a value of R12bn. Barclays is clearly a giant in the banking industry that could choose to flex its muscles and force a brand change on Absa, however from a local perspective they risk tampering with a heritage and equity that has seen the bank become one of the largest banks in Southern Africa.

Meanwhile, Absa continues to sponsor sport heavily through the Absa Cape Epic, Absa Currie Cup, Absa Premiership, and both the rugby and football national sides. Recent brand advertising has sought to bring these different sponsorship properties, and others, under the unifying banner of 'sponsors of the human spirit'.

Unification, it would seem, is the key theme for the Absa brand over the coming years.

Winners and Losers

Rank 2013	Rank 2012	Brand	Parent Company	Industry Group	BV 2013 (ZAR m)	Change	Brand Rating 2013	EV 2013 (ZAR m)	BV/ EV	BV 2012 (ZAR m)	Brand Rating 2012	EV 2012 (ZAR m)	BV/ EV
WINNERS													
33	40	Capitec Bank	Capitec Bank Holdings Ltd	Diversified Finan Serv	2,825	42%	AA-	20,678	14%	1,988	A	17,655	11%
10	14	Mediclinic	Mediclinic International Ltd	Healthcare-Services	8,061	36%	AA-	74,321	11%	5,947	A+	52,120	11%
24	30	Discovery	Discovery Ltd	Insurance	3,602	33%	AA+	46,739	8%	2,699	AA+	26,062	10%
25	31	African Bank	African Bank Investments Ltd	Diversified Finan Serv	3,391	28%	AA	12,123	28%	2,654	AA-	18,084	15%
49	52	Steinhoff	Steinhoff Intl Holdings Ltd	Holding Companies-Divers	1,496	25%	A+	86,415	2%	1,198	A	79,109	2%
7	9	Woolworths	Woolworths Holdings Ltd	Retail	10,778	25%	AA+	46,009	23%	8,656	AA	28,905	30%
29	61	Wesbank	Firststrand Ltd	Banks	3,022	22%	AA-	12,609	24%	2,478	A+	10,352	24%
6	6	Nedbank	Nedbank Group Ltd	Banks	10,920	20%	AA	80,067	14%	9,098	AA-	67,607	13%
39	41	Checkers	Shoprite Holdings Ltd	Retail - Food Specialists	2,306	19%	A	15,663	15%	1,935	A+	12,223	16%
22	23	Media24	Naspers Ltd-N Shs	Media	3,774	18%	AA-	62,210	6%	3,200	AA-	39,880	8%
LOSERS													
38	36	SAA	South African Airways	Airlines	2,325	-2%	A+			2,382	AA		
46	44	Hansa Pilsener	Sabmiller Plc	Beverages	1,806	-3%	A+	14,398	13%	1,868	A+	14,895	13%
45	42	Sasko	Pioneer Foods Ltd	Food	1,817	-5%	A+	8,939	20%	1,912	A+	7,814	24%
43	38	Life	Life Healthcare Group Holdin	Healthcare-Services	2,042	-5%	A	37,779	5%	2,150	A	31,533	7%
40	33	Altech	Allied Technologies Ltd	Telecommunications	2,278	-8%	AA-	3,914	58%	2,463	A+	6,510	38%
14	10	Netcare	Netcare Ltd	Healthcare-Services	6,257	-11%	A+	51,465	12%	7,035	A+	50,991	14%
19	18	Sappi	Sappi Limited	Forest Products&Paper	4,424	-12%	A	29,926	15%	5,016	AA-	34,994	14%
50	47	Lewis	Lewis Group Ltd	Retail	1,366	-16%	A	4,846	28%	1,625	A	8,767	19%
5	5	ABSA	Absa Group Ltd	Banks	12,411	-17%	AA	114,866	11%	14,955	AA	100,329	15%
4	3	Standard Bank	Standard Bank Group Ltd	Banks	14,200	-21%	AA+	56,102	25%	18,030	AA+	81,729	22%

BV - Brand Value EV - Enterprise Value

Winners and losers

When we compare the top 50 brands with their value change since last year, this year's survey will be remembered as one of extremes.

Take the banking sector: four household brands feature in the top ten (Nedbank, African Bank, Wesbank and Capitec Bank) whilst two find themselves firmly lodged at the bottom (Absa and Standard Bank).

Medical services too are polarised at either end of the change table, with MediClinic and Discovery, at +42% and +33% respectively, and Netcare and Life (-11% and -5%) languishing in the bottom ten.

It's an indication surely, that it's not the sector a brand operates in, but the strategies and decisions of the brands management.

As way of example, Discovery has been one of the top performers this year as the brand continues to reinforce its position as a leader in the healthcare industry. With innovative

products like Vitalitydrive added to their already popular Vitality rewards program and HealthID introduced in hospitals to assist doctors with patient records Discovery is clearly focused on being an innovator in the South African market.



Most Valuable Portfolios

Something often not considered when looking at tables of brand values, is the portfolio value of brands under one company's ownership. Viewing the table in this arrangement can bear interesting results that may have been missed in the pure rankings by brand value. In 2013 we have found that as a portfolio of brands, FirstRand Ltd actually owns the most valuable banking brand portfolio in South Africa, ahead of the most valuable banking brand Standard Bank. Global beverage giant SAB Miller also moves into 6th position in the table when ranking the table by portfolio value. Another skip up the table occurs in the retail sector where Shoprite Holdings passes Woolworths on combined portfolio value. Whilst these propose an interesting reshuffling of the top brands, the top 3 stay static, all of which control large predominately single brands.

Therefore a logical question coming out of such analysis would be which architecture strategy is better?

There are many ways a company may structure their brand architecture depending on what best suits their business strategy. In some cases architectures are based purely on product segments as in the case of SABMiller, others may be more complex aiming to engage via socio-demographic, psychographic or price segments. Many brand portfolios are layered across a number of these and other segments. And then of course there is the strategy that the leaders of our table use, the single brand strategy. A strategy that we may see have more of an impact on both the Absa and Vodacom brands in the near future as their international owners, with single brand strategies, continue to implement their single brand across the globe.

Debate goes back and forth over which brand architecture strategy is the best. On one side of the coin you are able to unify internal stakeholders under a common banner whilst also creating a single cohesive message that runs through the entire organisation. The organisation is likely to also see a benefit on a costs front, by only having to market one brand. Single brands can also reduce consumer confusion and help companies expand into new areas. However on the flip side of that coin, those employing a portfolio brand strategy are able to tailor a specific brand and brand strategy to suit a particular segment they are aiming to attract, though they will have to bear the marketing costs and internal costs of taking a number of different brands to market.

The truth is both portfolio of brands or single brand strategies can work, as our brand value table shows. Finding the right architecture is a matter of finding what fits within the business strategy and its various stakeholders.

Rank 2013	Top 10 Portfolio's	Brands in Top 50	BV
1	MTN Group Ltd	1	43,066
2	Vodacom Group Ltd	1	19,386
3	SASOL Ltd	1	18,372
4	FirstRand Ltd	3	14,204
	First National Bank		9,487
	Wesbank		3,022
	Rand Merchant Bank		1,694
5	Standard Bank Group Ltd	1	14,200
6	SABMiller PLC	5	14,193
	Miller Genuine Draft		3,676
	Carling Black Label		3,140
	Castle		2,835
	SABMiller		2,736
	Hansa Pilsener		1,806
7	Absa Group Ltd	1	12,411
8	Shoprite Holdings Ltd	2	11,592
	Shoprite		9,286
	Checkers		2,306
9	Nedbank Group Ltd	1	10,920
10	Woolworths Holdings Ltd	1	10,778

BV - Brand Value

Top 10 strongest brands

Rank 2013	Rank 2012	Brand	Parent Company	Industry Group	BV 2013 (ZAR m)	Change	Brand Rating 2013	EV 2013 (ZAR m)	BV/ EV	BV 2012 (ZAR m)	Brand Rating 2012	EV 2012 (ZAR m)	BV/ EV	BSI 2013	BSI 2012
8	7	First National Bank	Firststrand Ltd	Banks	9,487	6%	AAA-	62,704	15%	8,962	AAA-	69,016	13%	84	83
1	1	MTN	Mtn Group Ltd	Telecommunications	43,066	-1%	AAA-	299,910	14%	43,300	AAA-	317,601	14%	81	82
4	3	Standard Bank	Standard Bank Group Ltd	Banks	14,200	-21%	AA+	56,102	25%	18,030	AA+	81,729	22%	77	76
7	9	Woolworths	Woolworths Holdings Ltd	Retail	10,778	25%	AA+	46,009	23%	8,656	AA	28,905	30%	76	74
2	2	Vodacom	Vodacom Group Ltd	Telecommunications	19,386	4%	AA+	173,184	11%	18,692	AA+	152,186	12%	75	75
30	28	Castle	Sabmiller Plc	Beverages	2,835	3%	AA+	19,463	15%	2,749	AA	18,874	15%	75	71
24	30	Discovery	Discovery Ltd	Insurance	3,602	33%	AA+	46,739	8%	2,699	AA+	26,062	10%	75	75
34	32	SABMiller	Sabmiller Plc	Beverages	2,736	8%	AA	895,461	0%	2,522	AA-	541,008	0%	74	68
6	6	Nedbank	Nedbank Group Ltd	Banks	10,920	20%	AA	80,067	14%	9,098	AA-	67,607	13%	74	67
3	4	SASOL	Sasol Ltd	Chemicals	18,372	8%	AA	251,869	7%	17,044	AA+	243,114	7%	74	78

BV - Brand Value EV - Enterprise Value

“Bigger is not always stronger”

Brand value is simply a point in time valuation of the brand's future earnings discounted to a net present value; Brand strength on the other hand is an index scored out of 100 points summarising the performance of the brand on a number of quantitative (economic performance) and qualitative (brand equity) measures vs its competitors.

Some brands will naturally try to appeal to a mass audience at the risk of losing quality, while others focus on quality, in which instance they are in a position to charge a premium i.e. Shoprite Checkers targeting a wider audience at lower prices, while Woolworths targets a smaller audience at a premium. So while it is not surprising to see some of the most valuable brands are also some of the strongest (they generally have to be doing something right to reach the top, for example MTN) there are also many instances where we find that bigger (more valuable) is not always stronger. For example, FNB is rated as the strongest brand in South Africa, while Standard Bank is the most valuable banking brand.

When calculating the strength of a brand we aim to benchmark competitors on a range of metrics across 3 key pillars of brand strength; 1. Brand Support, 2. Brand Equity, 3. Brand Performance. Where possible we also conduct this exercise from a variety of key stakeholder's points of view, for example consumers, staff, and financial audiences.

When looking at the table of the strongest South African brands it is not surprising to see leading brands of specific sectors rising to the top. The likes of Castle at sixth strongest, and Discovery at seventh strongest - both these brands feature outside the top 20 in terms of pure financial brand value, but both are brand leaders in their respective sectors and therefore rise to the top when looking at brand strength.



Methodology

Definition of 'brand'

Financial accounting and reporting standards requires a clear definition of what intellectual property is included in the definition of 'brand'. Brand Finance defines brand as the "Trademark and associated IP including the word mark and trademark iconography".

Royalty relief

Brand Finance calculates brand value 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.

The steps in this process are as follows:

1. Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index.
2. Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database of license agreements and other online databases.
3. Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand's sector is 1-5% 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 4.2%.
4. Determine brand specific revenues estimating a proportion of parent company revenues

attributable to a specific brand.

5. Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.
6. Apply the royalty rate to the forecast revenues to derive brand revenues.
7. Brand revenues are discounted post tax to a net present value which equals the brand value.

Why we use the royalty relief approach

The Royalty Relief approach is used for three reasons:

1. It is favoured by tax authorities and the courts because it calculates brand values by reference to documented third-party transactions.
2. It can be done based on publicly available financial information.
3. It is compliant with the requirement under the International Valuation Standards Authority to determine the fair market value of brands.

Brand ratings

These are derived from the Brand Strength Index which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from D to AAA. It is conceptually similar to a credit rating.

Brand ratings definitions

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

Valuation Date: All brand values in the report are as at 30 June 2013

Top 50 Most Valuable Brands

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5	5	ABSA	Absa Group Ltd	Banks	12,411	-17%	AA	114,866	11%	14,955	AA	100,329	15%
6	6	Nedbank	Nedbank Group Ltd	Banks	10,920	20%	AA	80,067	14%	9,098	AA-	67,607	13%
7	9	Woolworths	Woolworths Holdings Ltd	Retail	10,778	25%	AA+	46,009	23%	8,656	AA	28,905	30%
8	7	First National Bank	Firstrand Ltd	Banks	9,487	6%	AAA-	62,704	15%	8,962	AAA-	69,016	13%
9	8	Shoprite	Shoprite Holdings Ltd	Retail - Food Specialists	9,286	4%	AA-	40,551	23%	8,900	A+	31,646	28%
10	14	Mediclinic	Mediclinic International Ltd	Healthcare-Services	8,061	36%	AA-	74,321	11%	5,947	A+	52,120	11%
11	11	Spar	Spar Group Limited/The	Food	7,592	9%	AA-	18,199	42%	6,943	AA-	19,252	36%
12	12	Pick'n Pay	Pick N Pay Stores Ltd	Retail	7,073	12%	A+	18,598	38%	6,326	A+	19,290	33%
13	13	Mondi	Mondi Ltd	Forest Products&Paper	6,312	4%	A+	79,270	8%	6,054	A+	52,216	12%
14	10	Netcare	Netcare Ltd	Healthcare-Services	6,257	-11%	A+	51,465	12%	7,035	A+	50,991	14%
15	15	Sanlam	Sanlam Ltd	Insurance	5,986	1%	AA-	89,984	7%	5,945	AA	62,506	10%
16	16	MultiChoice	Naspers Ltd-N Shs	Media	5,841	3%	A+	108,540	5%	5,674	A+	77,940	7%
17	17	Investec	Investec Plc	Diversified Finan Serv	5,678	6%	AA-	51,129	11%	5,337	A+	31,557	17%
18	19	Telkom	Telkom Sa Ltd	Telecommunications	5,169	7%	AA	12,198	42%	4,836	AA-	24,908	19%
19	18	Sappi	Sappi Limited	Forest Products&Paper	4,424	-12%	A	29,926	15%	5,016	AA-	34,994	14%
20	21	Truworths	Truworths International Ltd	Retail	3,976	3%	AA-	35,059	11%	3,866	A+	33,852	11%
21	20	Huletts	Tongaat Hulett Ltd	Holding Companies-Divers	3,863	-1%	A+	20,095	19%	3,906	A+	18,255	21%
22	23	Media24	Naspers Ltd-N Shs	Media	3,774	18%	AA-	62,210	6%	3,200	AA-	39,880	8%
23	22	Miller Genuine Draft	Sabmiller Plc	Beverages	3,676	3%	AA-	29,262	13%	3,577	A+	28,471	13%
24	30	Discovery	Discovery Ltd	Insurance	3,602	33%	AA+	46,739	8%	2,699	AA+	26,062	10%
25	31	African Bank	African Bank Investments Ltd	Diversified Finan Serv	3,391	28%	AA	12,123	28%	2,654	AA-	18,084	15%
26	25	Mr Price	Mr Price Group Ltd	Retail	3,202	1%	AA-	17,699	18%	3,159	AA-	10,505	30%
27	24	Carling Black Label	Sabmiller Plc	Beverages	3,140	-2%	AA	22,154	14%	3,198	AA-	22,564	14%
28	26	Makro	Massmart Holdings Ltd	Retail	3,024	-2%	A+	9,460	32%	3,071	AA-	8,302	37%
29	61	Wesbank	Firstrand Ltd	Banks	3,022	22%	AA-	12,609	24%	2,478	A+	10,352	24%
30	28	Castle	Sabmiller Plc	Beverages	2,835	3%	AA+	19,463	15%	2,749	AA	18,874	15%
31	29	Bidvest	Bidvest Group Ltd	Holding Companies-Divers	2,834	3%	A+	79,837	4%	2,741	A	69,641	4%
32	27	Liberty	Liberty Holdings Ltd	Insurance	2,830	2%	A+	31,564	9%	2,764	A+	24,285	11%
33	40	Capitec Bank	Capitec Bank Holdings Ltd	Diversified Finan Serv	2,825	42%	AA-	20,678	14%	1,988	A	17,655	11%
34	32	SABMiller	Sabmiller Plc	Beverages	2,736	8%	AA	895,461	0%	2,522	AA-	541,008	0%
35	35	CLICKS	Clicks Group Ltd	Retail-Drug Store	2,702	13%	AA-	8,940	30%	2,399	A+	8,363	29%
36	37	Nampak	Nampak Ltd	Packaging&Containers	2,452	8%	A+	24,496	10%	2,273	AA-	16,846	13%
37	34	Grindrod	Grindrod Ltd	Transportation	2,398	-1%	A+	11,217	21%	2,422	A+	13,968	17%
38	36	SAA	South African Airways	Airlines	2,325	-2%	A+	13,948	17%	2,382	AA	14,291	17%
39	41	Checkers	Shoprite Holdings Ltd	Retail - Food Specialists	2,306	19%	A	15,663	15%	1,935	A+	12,223	16%
40	33	Altech	Allied Technologies Ltd	Telecommunications	2,278	-8%	AA-	3,914	58%	2,463	A+	6,510	38%
41	39	Game	Massmart Holdings Ltd	Retail	2,211	11%	A	8,773	25%	1,988	AA-	7,699	26%
42	43	Santam	Santam Ltd	Insurance	2,077	11%	AA-	20,961	10%	1,875	A	17,857	10%
43	38	Life	Life Healthcare Group Holdin	Healthcare-Services	2,042	-5%	A	37,779	5%	2,150	A	31,533	7%
44	46	Rainbow Chicken	Rainbow Chicken Ltd	Food	1,952	14%	A	9,327	21%	1,710	A+	5,334	32%
45	42	Sasko	Pioneer Foods Ltd	Food	1,817	-5%	A+	8,939	20%	1,912	A+	7,814	24%
46	44	Hansa Pilsener	Sabmiller Plc	Beverages	1,806	-3%	A+	14,398	13%	1,868	A+	14,895	13%
47	49	Rand Merchant Bank	Firstrand Ltd	Banks	1,694	14%	AA-	2,896	58%	1,488	A+	13,803	11%
48	50	Imperial	Imperial Holdings Ltd	Holding Companies-Divers	1,547	14%	A+	52,081	3%	1,356	A+	32,568	4%
49	52	Steinhoff	Steinhoff Intl Holdings Ltd	Holding Companies-Divers	1,496	25%	A+	86,415	2%	1,198	A	79,109	2%
50	47	Lewis	Lewis Group Ltd	Retail	1,366	-16%	A	4,846	28%	1,625	A	8,767	19%

Top 10 Most Valuable Global Brands

Apple pips Samsung but Ferrari world's most powerful brand

Rank 2013	Rank 2012	Brand	Brand Value 2013 (\$ m)	Brand Value % Change	Brand Value / Enterprise Value 2012 (%)	Brand Rating 2013
1	1	Apple	87,304	24%	23%	AAA
2	6	Samsung Group	58,771	54%	24%	AAA
3	2	Google	52,132	10%	30%	AAA+
4	3	Microsoft	45,535	-1%	29%	AAA-
5	5	Walmart	42,303	10%	23%	AA+
6	4	IBM	37,721	-4%	16%	AA+
7	7	GE	37,161	12%	9%	AA
8	10	Amazon.com	36,788	28%	38%	AAA-
9	8	Coca-Cola	34,205	10%	38%	AAA+
10	12	Verizon	30,729	11%	14%	AA+

Apple (US\$87 billion) pips Samsung (US\$58 billion) as the world's most valuable brand but Ferrari is the world's most powerful brand, according to leading brand valuation and marketing experts Brand Finance.

Table 1: Top Five Most Valuable Brands in the World

Brand Value Rank 2013	Brand	Domicile	Brand Value 2013 (US\$ bn)	Brand Value 2012 (US\$ bn)	Change (US\$ bn)	Change (%)
1	Apple	US	87.3	70.6	16.7	24%
2	Samsung	South Korea	58.8	38.2	20.6	54%
3	Google	US	52.1	47.5	4.7	10%
4	Microsoft	US	45.5	45.8	-0.3	-1%
5	Walmart	US	42.3	38.3	4	10%

Source: BrandFinance® Global 500 (2013)

The Global 500 analyses financial and brand performance of leading brands across all major business-to-consumer (B2C) and business-to-business (B2B) sectors, making it the most extensive brand valuation study of its kind in the world.

APPLE PIPS SAMSUNG

Electronics giant Apple had a roller coaster year in 2012 - its enterprise value rocketed from US\$350 billion to US\$600 billion only to dip to US\$400 billion in the space of 12 months. Despite a raft of new product launches such as the new iPhone and iPad the company continued to lose ground to Samsung

and it was only its sheer size that helped Apple maintain its lead position over its smaller but more nimble South Korean rival.

The net result for Apple's brand value was a rise from \$70 billion to \$87 billion but a slight weakening of its brand rating from AAA+ to AAA.

The mighty Apple brand is supporting the company as it arguably loses its competitive edge to Samsung in the wake of the launch of Galaxy S3, the most pre-ordered smart phone of all time. Samsung's brand value leaped by a staggering 54 per cent (US\$20.6 billion) and more new digital consumer products are expected to be launched

during 2013.

Commenting on the findings, Brand Finance CEO David Haigh said: "Brand is one of many intangible assets which drive profitable growth. Technology, contractual, human capital and customer intangibles as well as general goodwill all drive overall corporate value. With revenues in the tens of billions, Apple and Samsung are slugging it out for global brand supremacy and are vying with each other to create strong 'customer love' for their brands. However, there are other brands in the Global 500 that though they may never challenge the brand value giants, are nonetheless extremely powerful and well-loved."

Top 10 Most Valuable Global Brands



ITALIAN BEAUTY

A case in point is Ferrari, owned by Italian car giant Fiat, that achieved the highest brand rating in the Global 500 despite being a niche sports car manufacturer with a much smaller enterprise value than many of the other global brands in the Top 500.

"I often think that the Italian genius for car design is based in the language of craft," comments world renowned design critic Stephen Bayley. "Theirs is a workshop vocabulary with words for a car's features and contours many of which simply don't exist in English. If you have a word for it you can draw it. That word is beauty," he says.

A key driver of brand value is revenue. Clearly Ferrari cannot compete in terms of the size of the multi-national brands. However its brand rating takes into account other financial metrics such as net margins, average revenue per customer, marketing and advertising spend as well as qualitative measures such as brand affection and loyalty.

Taken together, Ferrari outperforms not only rival auto manufacturers BMW, VW, Mercedes Benz, Lexus and Audi but all brands worldwide.

Ferrari today announced record results for the first nine months of 2012, recording an increase in net profits by 7.6 per cent to €152.4m on a turnover of €1.76 billion.

"It is always a pleasure to top any list and still more so when the competition includes some of the world's most famous companies. This achievement proves that even in very tough economic times, Italy can still offer the world businesses of excellence," commented Ferrari Chairman Luca di Montezemolo. "Behind this acknowledgement are exceptional products made by equally exceptional men and women. They made it possible and for that I thank them."

David Haigh concludes: "As the Global 500 powerfully demonstrates, customer expectations of brands are much higher than ever as trust becomes a critical business issue in a time of increased economic uncertainty. To fulfil such expectations, brand owners must continue to innovate whilst at the same time deliver quality with value, choice with social responsibility and sustainability with growth."

Table 2: Top Five Strongest / Most Powerful Brands in the World

Brand Rating Rank 2013	Brand	Domicile	Brand Value 2013 (US\$ bn)	Brand Rating 2013
1	Ferrari	Italy	3.6	AAA+
2	Google	US	52.1	AAA+
3	Coca-Cola	US	34.2	AAA+
4	PwC	US	16.4	AAA+
5	Hermes	France	4.5	AAA+

Source: BrandFinance® Global 500 (2013)

Brand Finance

About Brand Finance

Brand Finance is an independent global business focused on advising strongly branded organisations on how to maximize value through the effective management of their brands and intangible assets.

Since it was founded in 1996, Brand Finance has performed thousands of branded business, brand and intangible asset valuations worth trillions of dollars.

Brand Finance's services support a variety of business needs:

- Technical valuations for accounting, tax and legal purposes
- Valuations in support of commercial transactions (acquisitions, divestitures, licensing and joint ventures) involving different forms of intellectual property
- Valuations as part of a wider mandate to deliver value-based marketing strategy and tracking, thereby bridging the gap between marketing and finance.

Our clients include international brand owners, tax authorities, IP lawyers and investment banks. Our work is frequently peer-reviewed by the big four audit practices and our reports have also been accepted by various regulatory bodies, including the UK Takeover Panel.

Brand Finance is headquartered in London and has a network of international offices in Amsterdam, Bangalore, Barcelona, Cape Town, Colombo, Dubai, Durban, Geneva, Helsinki, Hong Kong, Istanbul, Lisbon, Madrid, Moscow, New York, Paris, Sao Paulo, Sydney, Singapore, Toronto and Zagreb.

www.brandfinance.com

OUR SERVICES

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

Valuation

We perform valuations for financial reporting, tax planning M&A activities, joint ventures, IPOs and other transactions. We work closely with auditors, tax authorities and lawyers. Intangible assets values include, copyright, confidential information, customer relationship, design rights, databases, distribution rights, formulations, good will, licenses technology trade marks, patents and URL's.

Analytics

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

Strategy

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

Transactions

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

Glossary

Brand

Trademarks and trademark licenses together with associated goodwill.

BrandBeta®

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.

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Brand Finance is the leading brand valuation and strategy firm, helping companies to measure, manage and maximise the value of their brands for improved business results.

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