



Chemicals

10

2018

The annual report on the most valuable chemicals brands

July 2018

Foreword.



David Haigh
CEO, Brand Finance

What is the purpose of a strong brand: to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be 'to make money'.

Huge investments are made in the design, launch, and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place, it frequently lacks financial rigour and is heavily reliant on qualitative measures, poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Sceptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo, may fail to agree necessary investments. What marketing spend there is, can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources, and a negative impact on the bottom line.

Brand Finance bridges the gap between marketing and finance. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising, and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketing and finance teams. Marketers then have the ability to communicate the significance of what they do, and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance's research revealed the compelling link between strong brands and stock market performance. It was found that investing in highly-branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company's intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business.

The team and I look forward to continuing the conversation with you.

About Brand Finance.

Brand Finance is the world's leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- Independence
- Technical Credibility
- Transparency
- Expertise.

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



For more information, please visit our website:

www.brandfinance.com

Contact Details.

For business enquiries, please contact:

Richard Haigh

Managing Director

rd.haigh@brandfinance.com

For media enquiries, please contact:

Konrad Jagodzinski

Communications Director

k.jagodzinski@brandfinance.com

For all other enquiries, please contact:

enquiries@brandfinance.com

enquiries@brandfinance.com

+44 (0)207 389 9400

 [linkedin.com/company/brand-finance](https://www.linkedin.com/company/brand-finance/)

 [facebook.com/brandfinance](https://www.facebook.com/brandfinance)

 twitter.com/brandfinance

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

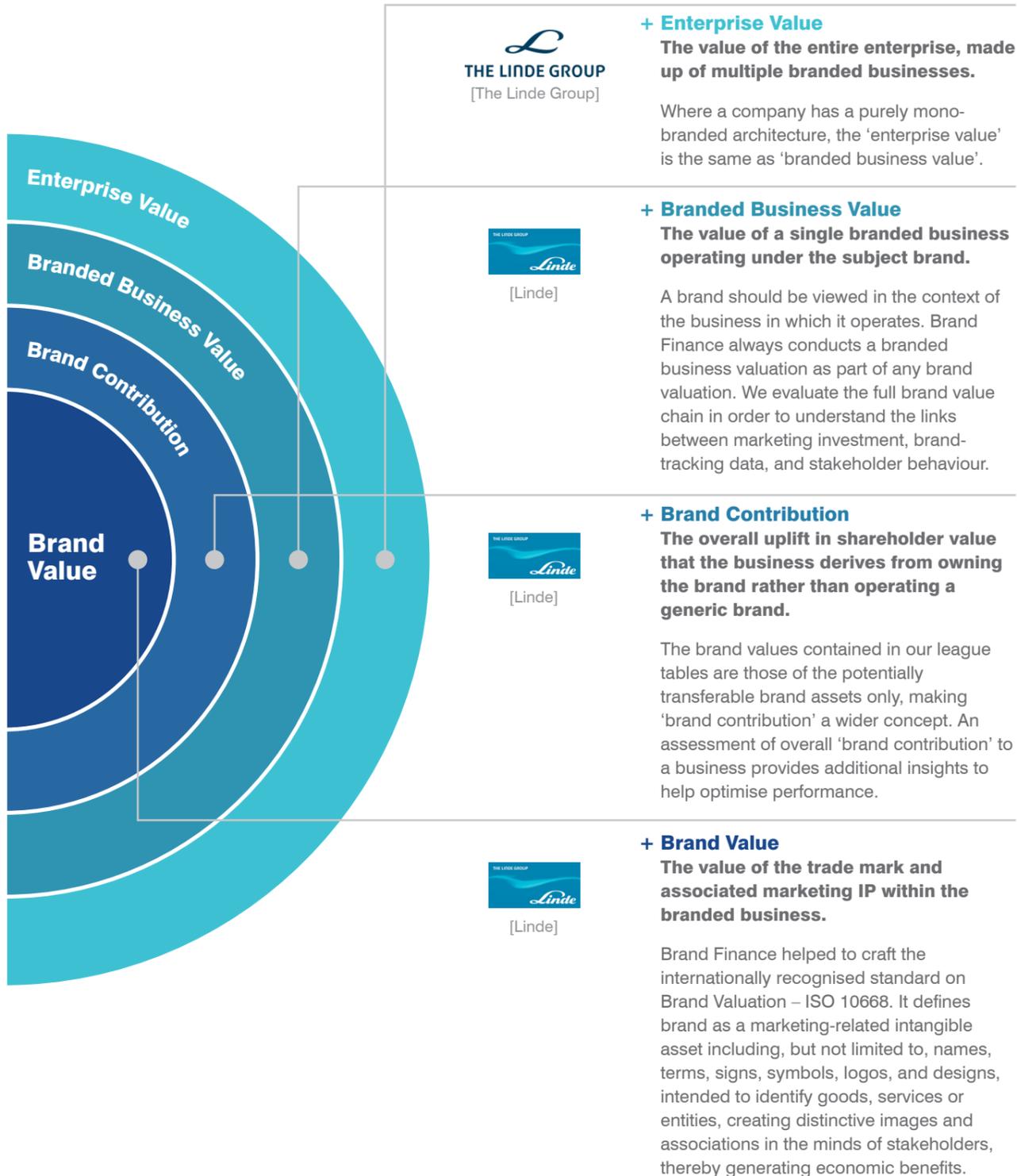
Country	Contact	Email Address	
Asia Pacific	Samir Dixit	s.dixit@brandfinance.com	+65 906 98 651
Australia	Mark Crowe	m.crowe@brandfinance.com	+61 282 498 320
Canada	Charles Scarlett-Smith	c.scarlett-smith@brandfinance.com	+1 647 3437 266
Caribbean	Nigel Cooper	n.cooper@brandfinance.com	+1 876 8256 598
China	Scott Chen	s.chen@brandfinance.com	+86 1860 118 8821
East Africa	Jawad Jaffer	j.jaffer@brandfinance.com	+254 204 440 053
France	Victoire Ruault	v.ruault@brandfinance.com	+44 207 389 9427
Germany	Holger Mühlbauer	h.muehlbauer@brandfinance.com	+49 1515 474 9834
India	Savio D'Souza	s.dsouza@brandfinance.com	+44 207 389 9400
Indonesia	Jimmy Halim	j.halim@brandfinance.com	+62 215 3678 064
Ireland	Simon Haigh	s.haigh@brandfinance.com	+353 087 6695 881
Italy	Massimo Pizzo	m.pizzo@brandfinance.com	+39 230 312 5105
Japan	Jun Tanaka	j.tanaka@brandfinance.com	+81 0120 61 1881
Mexico & LatAm	Laurence Newell	l.newell@brandfinance.com	+52 1559 197 1925
Middle East	Andrew Campbell	a.campbell@brandfinance.com	+971 508 113 341
Nigeria	Babatunde Odumeru	t.odumeru@brandfinance.com	+234 012 911 988
Romania	Mihai Bogdan	m.bogdan@brandfinance.com	+40 728 702 705
Spain	Teresa de Lemus	t.delemus@brandfinance.com	+34 654 481 043
South Africa	Jeremy Sampson	j.sampson@brandfinance.com	+27 828 857 300
Sri Lanka	Ruchi Gunewardene	r.gunewardene@brandfinance.com	+94 114 941 670
Turkey	Muhterem Ilgüner	m.ilguner@brandfinance.com	+90 216 3526 729
UK	Richard Haigh	rd.haigh@brandfinance.com	+44 207 389 9400
USA	Laurence Newell	l.newell@brandfinance.com	+1 917 794 3249
Vietnam	Lai Tien Manh	m.lai@brandfinance.com	+84 473 004 468

Contents.

Foreword	3
About Brand Finance	4
Contact Details	4
Definitions	6
Executive Summary	8
Methodology	12
Understand Your Brand's Value	13
Consulting Services	14
Communications Services	15

Definitions.

Brand Value



Brand Strength

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

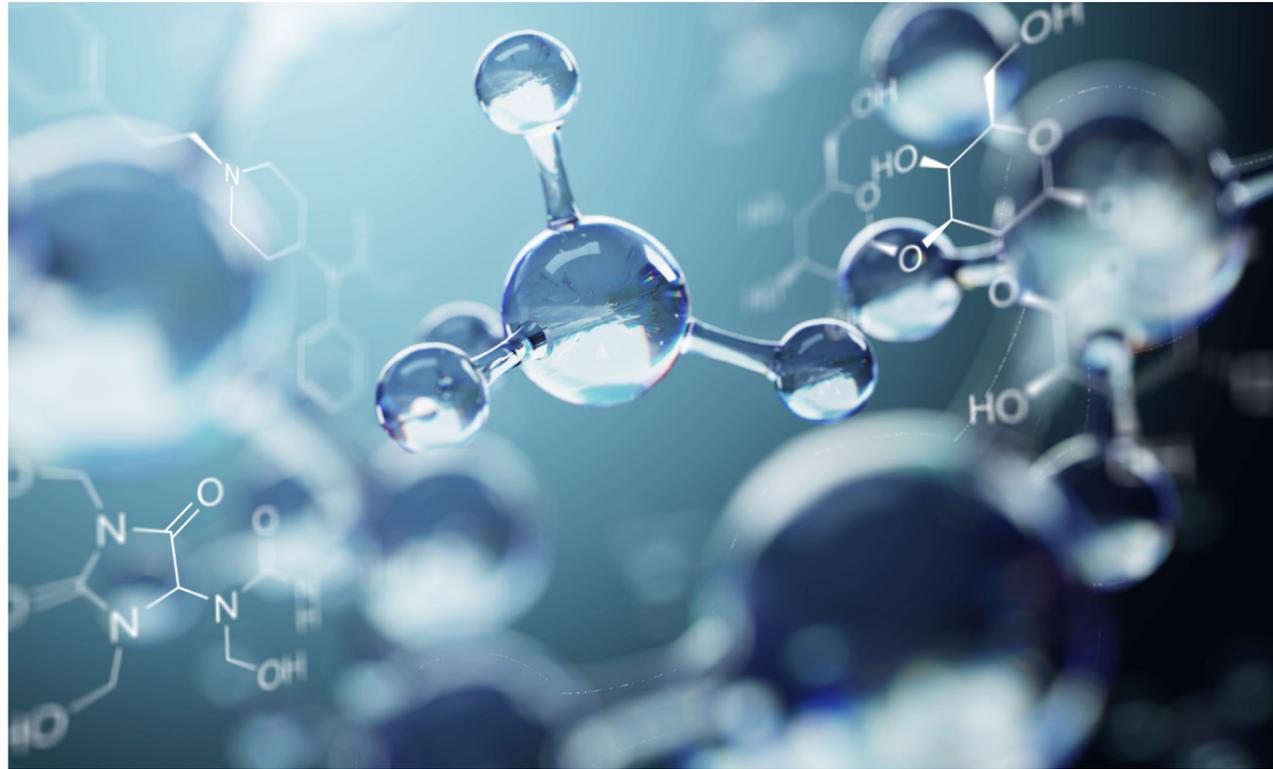
In order to determine the strength of a brand, we look at Marketing Investment, Stakeholder Equity, and the impact of those on Business Performance.

Each brand is assigned a Brand Strength Index (BSI) score out of 100, which feeds into the brand value calculation. Based on the score, each brand is assigned a corresponding rating up to AAA+ in a format similar to a credit rating.

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



Executive Summary.



BASF remains most valuable

BASF has maintained its status as the world's most valuable chemicals brand, following 13% brand value growth from last year to US\$7.4 billion, according to a new report by Brand Finance, the world's leading independent brand valuation and strategy consultancy. The brand value of BASF was boosted as a result of increased revenue projections after a strong 2017, which included the announcement and subsequent purchase of parts of Bayer's businesses, in connection with Bayer's acquisition of Monsanto.

Dow boosted by merger with DuPont

In second rank, Dow's brand value surged 38% to US\$6.5 billion, offset by the result of DuPont (down 10% to US\$2.7 billion).

Michigan-based Dow and Delaware's DuPont have now completed their corporate merger while continuing to restructure their businesses to operate under separate Dow, DuPont, and new Corteva brands. Although, at

The undergoing transformation within DowDuPont will have a tremendous impact on the brands and how they are perceived in the future. So far, Dow has seen its brand value boosted by the merger, while DuPont's brand value has been significantly disrupted. As the operations are split into three separate divisions, each specialising in a different line of products: agriculture, materials science, and specialty products, DowDuPont will need to raise awareness of these new developments and smoothly manage the transition to ensure the brand portfolio does not lose value.

David Haigh
CEO, Brand Finance

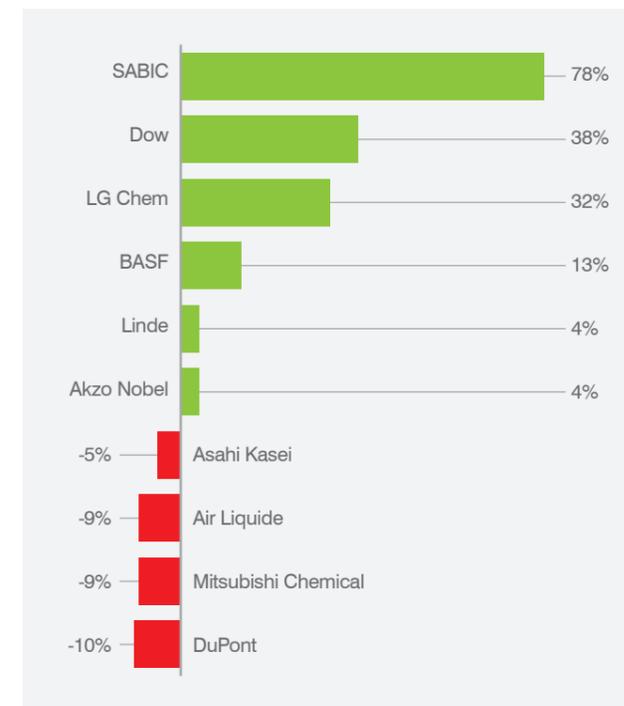
the moment, the combined value of Dow and DuPont at US\$9.2 billion is greater than that of BASF, it remains to be seen how the merger and ensuing reallocation of assets impacts their respective brand values.

SABIC powers ahead

Saudi petrochemicals giant SABIC has grown faster over the past year than any other brand in the Brand Finance Chemicals 10 league table, jumping from 8th to 3rd rank.

Contributing to SABIC's impressive 78% increase in brand value to US\$3.7 billion is the renewed effort by the brand to capitalise on the US shale boom by growing its business across America. Having recently announced plans for a new head office in Houston, Texas, SABIC is a major supplier of polyethylene and other commodity resins across the Western Hemisphere. Boosted by the rise in oil prices, SABIC is also looking into opportunities to access the African market and considering acquisitions in Europe and China.

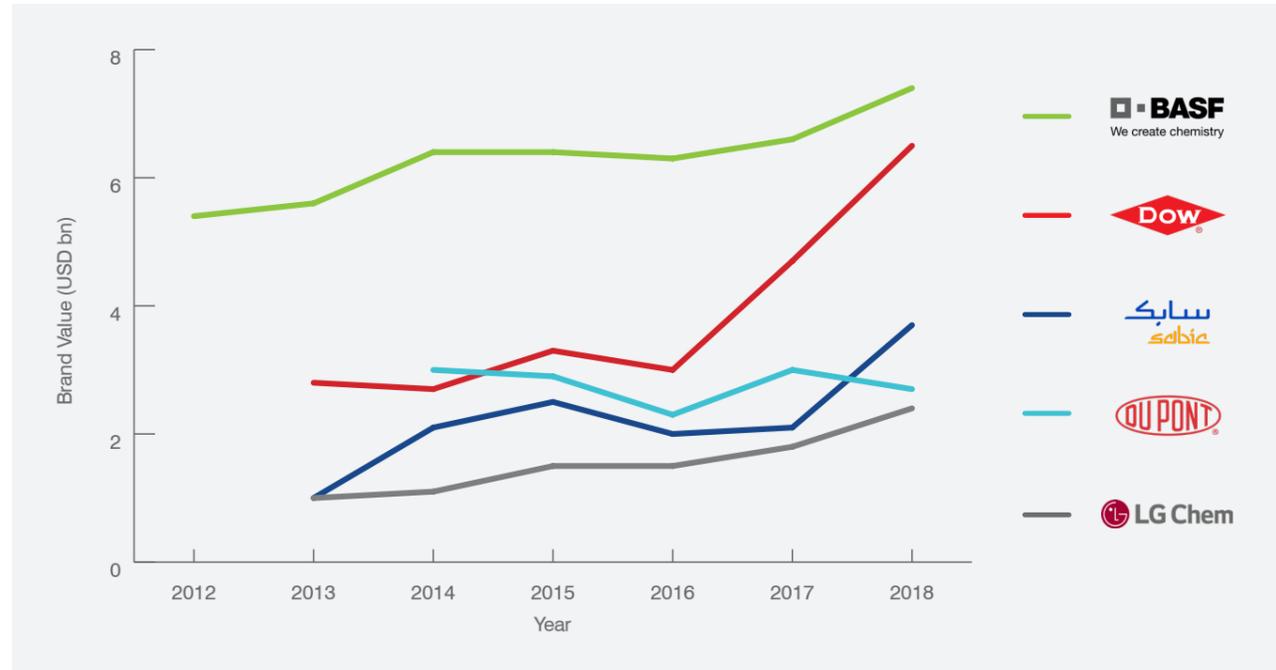
Brand Value Change 2017-2018 (%)



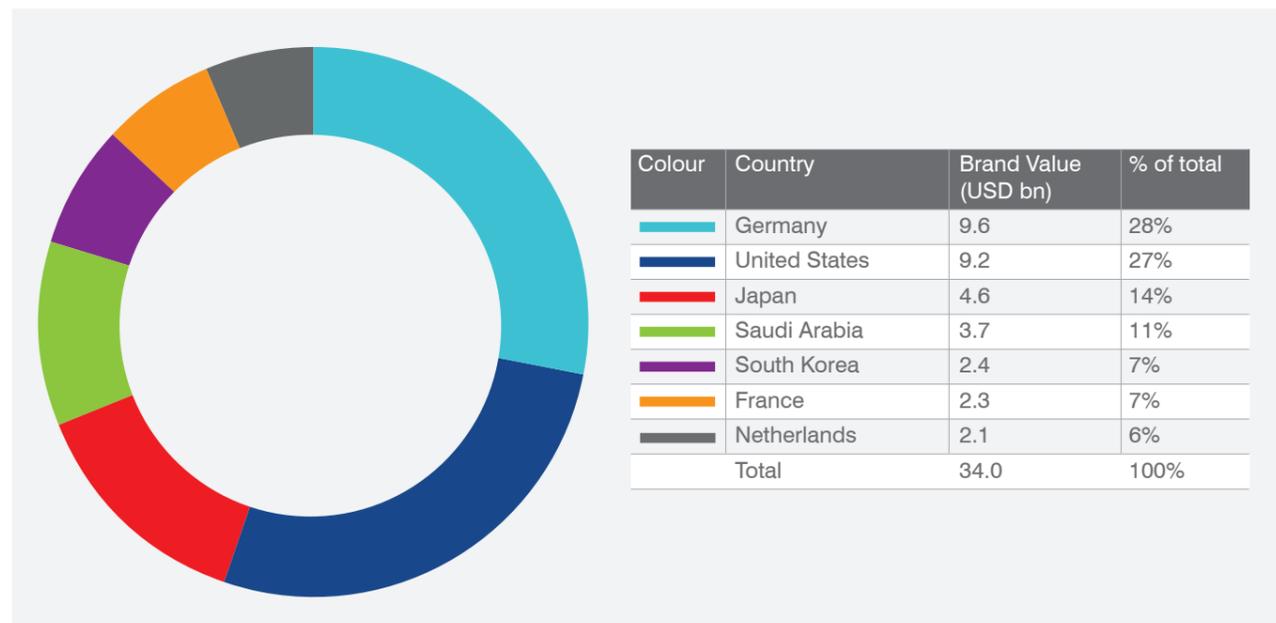
Top 10 Most Valuable Brands

 We create chemistry	1	Rank 2018: 1 2017: 1 → BV 2018: \$7,449m BV 2017: \$6,596m +13% Brand Rating: AAA-
	2	Rank 2018: 2 2017: 2 → BV 2018: \$6,544m BV 2017: \$4,745m +38% Brand Rating: AAA-
	3	Rank 2018: 3 2017: 8 ↑ BV 2018: \$3,722m BV 2017: \$2,096m +78% Brand Rating: AA+
	4	Rank 2018: 4 2017: 4 → BV 2018: \$2,685m BV 2017: \$2,993m -10% Brand Rating: AAA-
	5	Rank 2018: 5 New BV 2018: \$2,421m BV 2017: \$1,829m +32% Brand Rating: AA
	6	Rank 2018: 6 2017: 5 ↓ BV 2018: \$2,347m BV 2017: \$2,570m -9% Brand Rating: AA
	7	Rank 2018: 7 2017: 7 → BV 2018: \$2,345m BV 2017: \$2,481m -5% Brand Rating: AA-
	8	Rank 2018: 8 2017: 6 ↓ BV 2018: \$2,259m BV 2017: \$2,485m -9% Brand Rating: AA-
	9	Rank 2018: 9 2017: 9 → BV 2018: \$2,139m BV 2017: \$2,058m +4% Brand Rating: AA
	10	Rank 2018: 10 2017: 10 → BV 2018: \$2,079m BV 2017: \$2,005m +4% Brand Rating: AAA-

Brand Value Over Time



Brand Value by Country

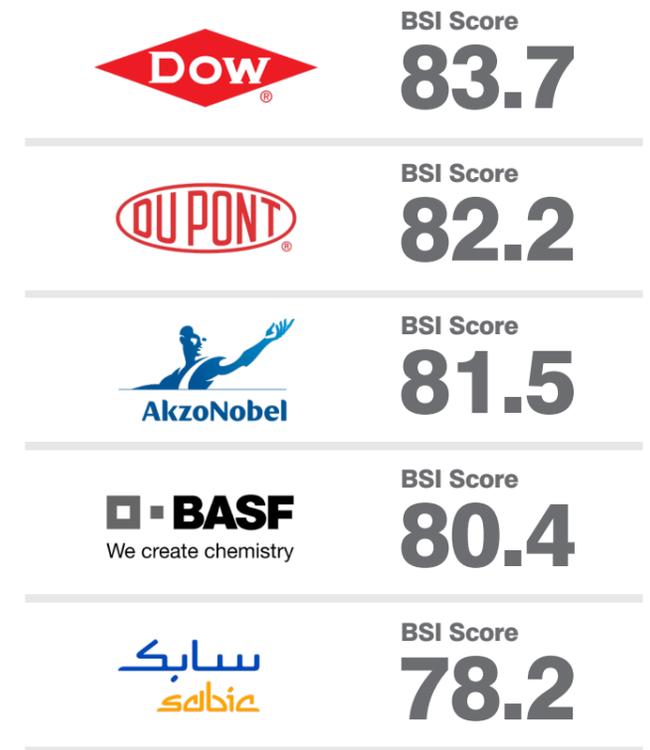


Brands mid-ranking lose value

Brands in the middle of the Brand Finance Chemicals 10 ranking did not share in the strong gains of those at the top. Air Liquide (down 9% to US\$2.3 billion), Asahi Kasei (down 5% to US\$2.3 billion) and Mitsubishi Chemicals (down 9% to US\$2.3 billion) suffered significant losses to their brand value. Asahi and Mitsubishi were both affected by the relative weakness of the Japanese yen.

In addition to overall brand value, Brand Finance also evaluates brand strength. Mitsubishi's brand has the weakest strength in the top 10 as a result of the company's online and social media performance lagging behind its peers who have expanded their digital marketing and promotion, particularly on LinkedIn, a crucial portal for talent recruitment. The staff are one of the main stakeholders influenced by a brand's strength, with stronger brands attracting and retaining quality employees. To catch up, Mitsubishi is hiring specialist social media marketers and launched a multi-million-dollar cross-platform campaign. The brand also suffered reputational damage in October last year when, in the course of an investigation into data falsification by supplier Kobe Steel, it reported that its materials division had also falsified data.

Top 5 Strongest Brands



Methodology.

Brand Finance calculates the values of the brands in its league tables using the Royalty Relief approach – a brand valuation method compliant with the industry standards set in ISO 10668.

This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a 'brand value' understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

The steps in this process are as follows:

- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance of brand to purchasing decisions. In luxury, the maximum percentage is high, in extractive industry, where goods are often commoditised, it is lower. This is done by reviewing comparable licensing agreements sourced from Brand Finance's extensive database.
- 3 Calculate royalty rate. The BSI score is applied to the royalty range to arrive at a royalty rate. For example, if the royalty range in a sector is 0-5% and a brand has a BSI score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- 4 Determine brand-specific revenues by estimating a proportion of parent company revenues attributable to a brand.
- 5 Determine forecast revenues using a function of historic revenues, equity analyst forecasts, and economic growth rates.
- 6 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7 Brand revenues are discounted post-tax to a net present value which equals the brand value.



Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate. The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

Understand Your Brand's Value.

A Brand Value Report provides a complete breakdown of the assumptions, data sources, and calculations used to arrive at your brand's value.

Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

What is a Brand Value Report?

Brand Valuation Summary

- + Internal understanding of brand
- + Brand value tracking
- + Competitor benchmarking
- + Historical brand value

Brand Strength Index

- + Brand strength tracking
- + Brand strength analysis
- + Management KPIs
- + Competitor benchmarking

Royalty Rates

- + Transfer pricing
- + Licensing/franchising negotiation
- + International licensing
- + Competitor benchmarking

Cost of Capital

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

Customer Research

- + Utilities
- + Insurance
- + Banks
- + Telecoms

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

Richard Haigh

Managing Director, Brand Finance
rd.haigh@brandfinance.com

What are the benefits of a Brand Value Report?



Insight

Provide insight as to how the brand is performing vs. key competitors on underlying measures and drivers of brand value and brand strength.



Strategy

Understand where brand value is being generated by region and channel in order to identify areas of opportunity that warrant further investigation.



Benchmarking

Track year-on-year changes to brand value and set long-term objectives against which high-level brand performance can be benchmarked.



Education

Provide a platform of understanding which the company can use to educate employees on the importance of the brand.



Communication

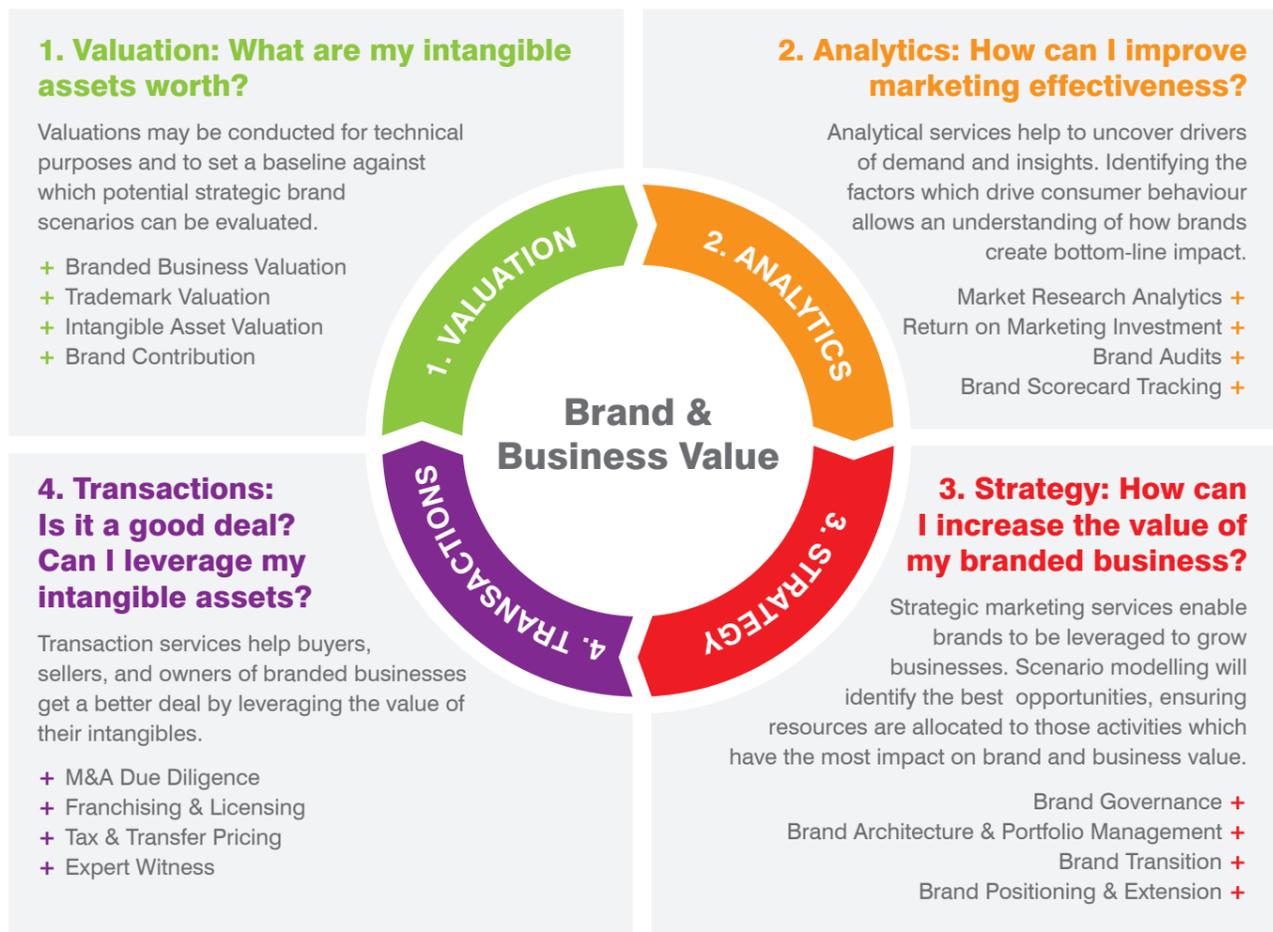
Communicate your brand's success to shareholders, customers, and other strategically selected audiences.



Understanding

Understand and appreciate the value of your brand as an asset of the business.

Consulting Services.



MARKETING

FINANCE

TAX

LEGAL

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

Communications Services.

We offer a variety of services to help communicate your brand's success.



Brand Finance[®]
Strongest Global Brand 2018
Your Brand

Example digital endorsement stamp for use on your website as well as in investor relations and advertising, to recognise your brand's performance.



Contact us.

The World's Leading Independent Brand Valuation and Strategy Consultancy

T: +44 (0)20 7389 9400

E: enquiries@brandfinance.com

www.brandfinance.com