



Saudi Arabia

25

2018

The annual report on the most valuable Saudi Arabian brands
April 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:
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For further information on Brand Finance®’s services and valuation experience, please contact your local representative:

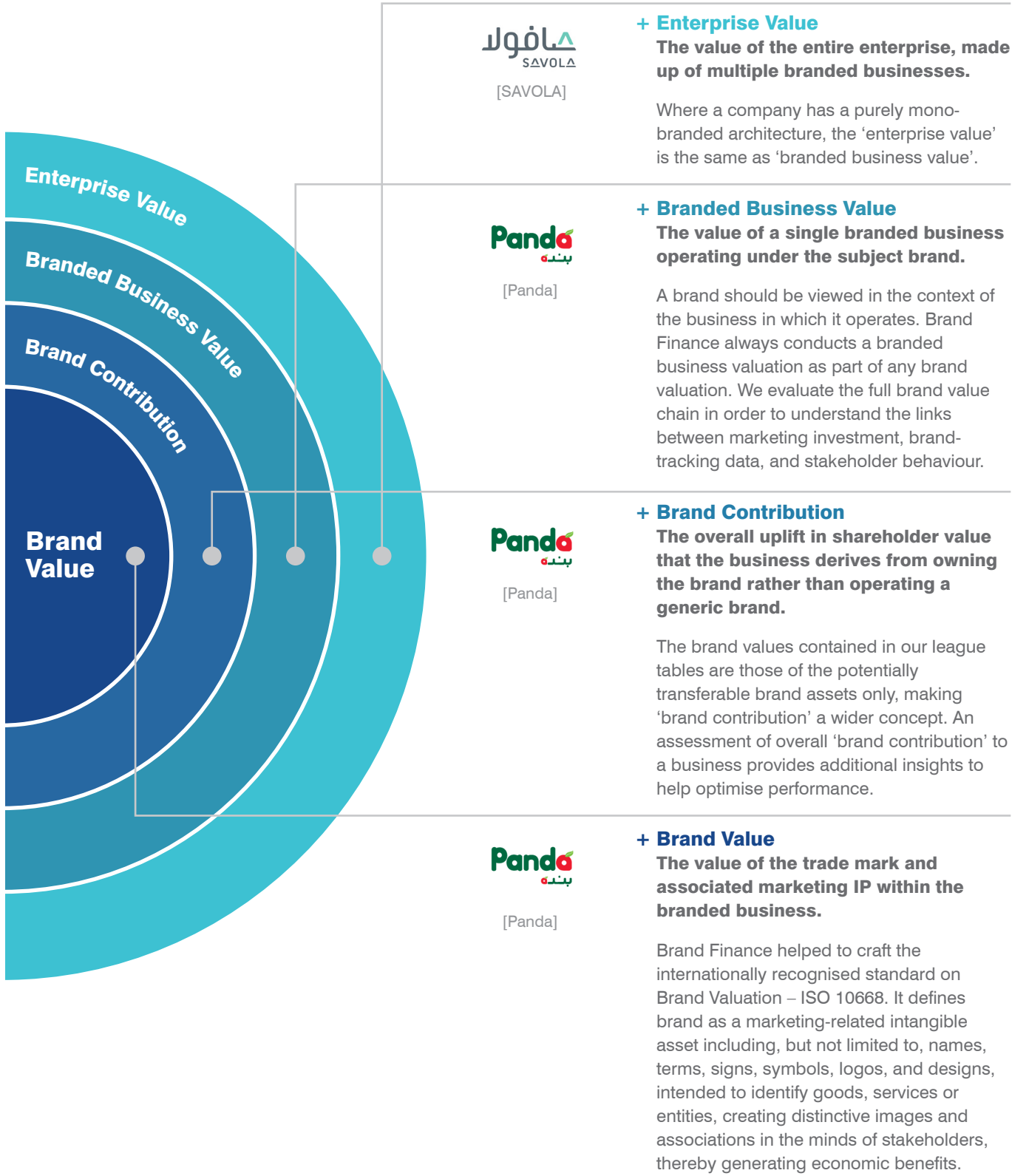
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Definitions.

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.

Brand Strength Index	Marketing Investment	Widely recognised factors deployed by marketers to create brand loyalty and market share.
	Stakeholder Equity	Perceptions of the brand among different stakeholder groups, with customers being the most important.
	Business Performance	Quantitative market and financial measures representing the success of the brand in achieving price and volume premium.



Executive Summary.



KSA’s Most Valuable Brands Revealed

Set against the backdrop of Saudi Arabia’s Vision 2030 goals and the Saudi market’s growing interest in brands, Brand Finance has complemented its wider Middle East report with a Saudi-specific publication for the first time.

STC Charge Towards Vision 2030

Top of the inaugural Brand Finance Saudi Arabia 25 report is STC, valued at US\$6.7 billion. The Riyadh-based telecom operator has turned the dial up with a 7% increase to its brand value, cementing its place as a key contributor towards Saudi Arabia’s Vision 2030. STC is firmly focused on introducing and investing in the latest digital technologies such as cybersecurity, cloud computing, Internet of Things, data analytics and digital identity; positioning itself as regional leader in the technologies of the new economy.

SABIC is Fastest Growing Brand

Saudi Arabia’s fastest growing brand, displaying a whopping 78% brand value growth since last year is petrochemicals manufacturer SABIC. Contributing to this

All 25 of these top ranking Saudi Arabian brands are playing crucial roles working towards realising Saudi Arabia’s Vision 2030 and National Transformation Plan. The rankings are also a testament to the Saudi government’s US\$19.0 billion stimulus package aimed at empowering the private sector and bringing in more commercial global standards into government entities.

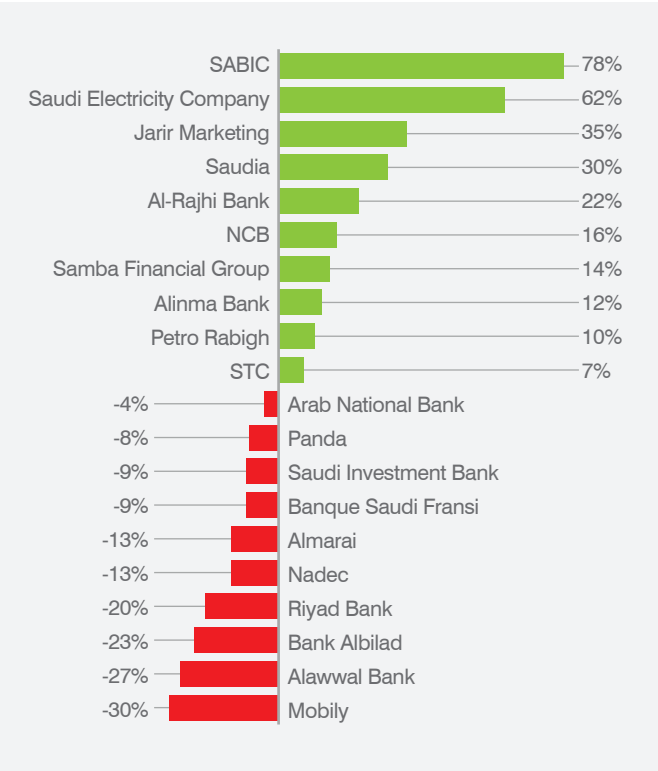
Andrew Campbell
Managing Director, Brand Finance Middle East

notable increase in brand value to US\$3.7 billion are SABIC’s renewed efforts to capitalise on the US shale boom by growing its business in 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.

Saudi Banks Dominate Rankings

Of the 25 Saudi Arabian brands valued in the ranking, 11 (44%) are banking brands with Al Rajhi Bank taking the top rank, (up 22% to US\$2.6 billion). Other banks in the top 10 showing robust performance include National Commercial Bank (up 16% to US\$2.3 billion), Samba Financial Group (up 14% to US\$1.0 billion), and Saudi British Bank (up 3% to US\$0.8 billion). The dominant position of the banking sector can be attributed to consistent efforts by Saudi banks to manage operating costs effectively alongside a committed drive towards investing in digital strategies.

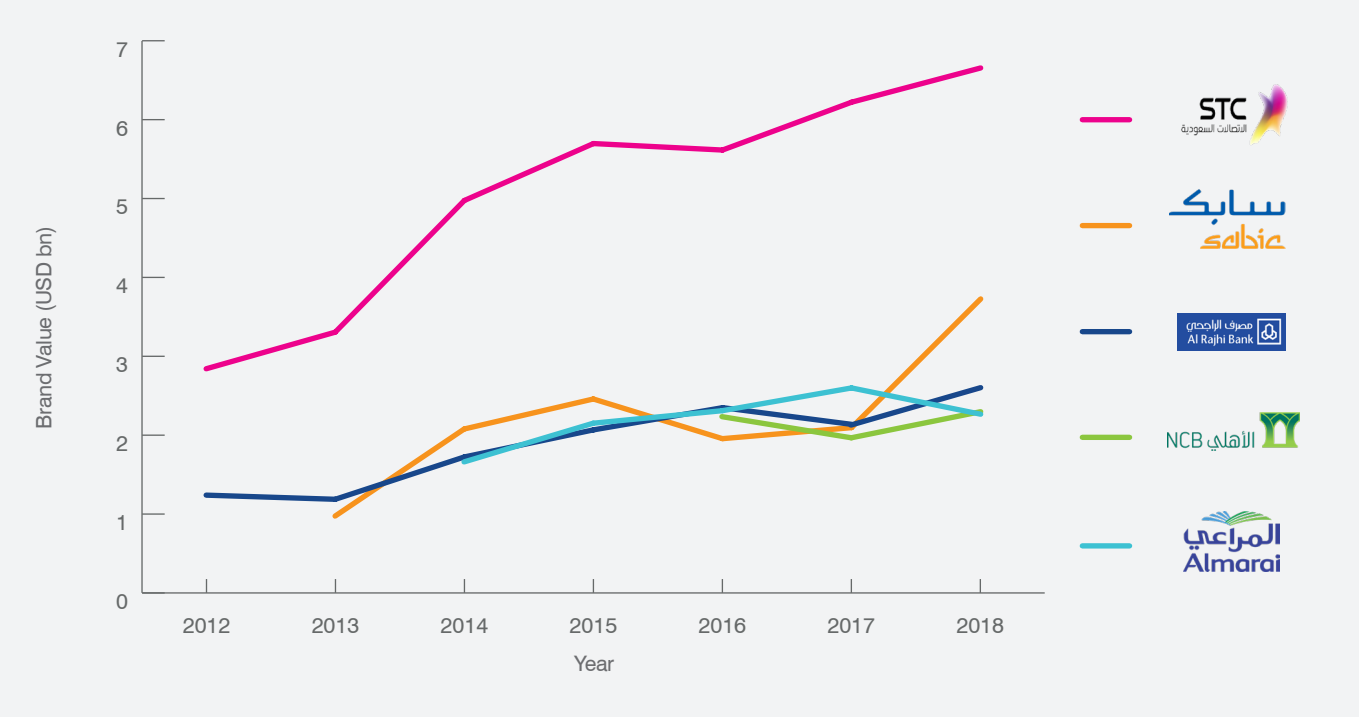
Brand Value Change 2017-2018 (%)



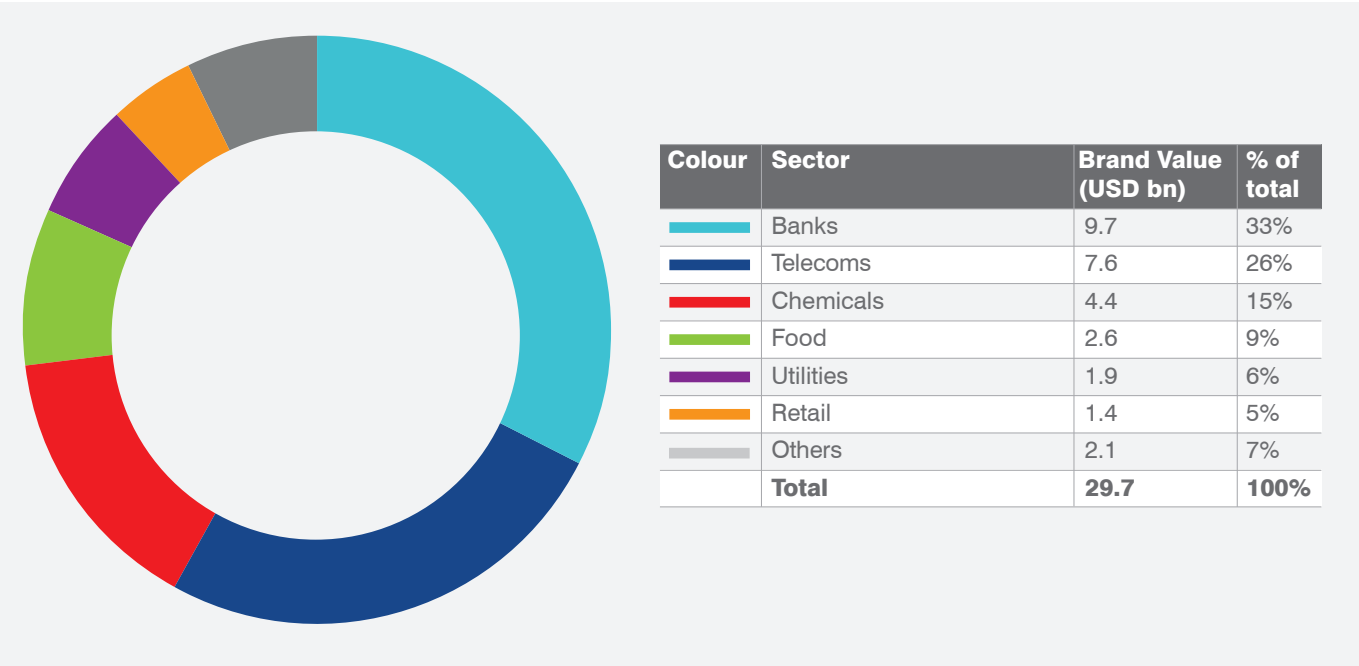
Top 10 Most Valuable Brands

	1	Rank 2018: 1 BV 2018: \$6,651m BV 2017: \$6,218m Brand Rating: AA+	+7%
	2	Rank 2018: 2 BV 2018: \$3,722m BV 2017: \$2,096m Brand Rating: AA+	+78%
	3	Rank 2018: 3 BV 2018: \$2,597m BV 2017: \$2,133m Brand Rating: AAA-	+22%
	4	Rank 2018: 4 BV 2018: \$2,292m BV 2017: \$1,972m Brand Rating: AA	+16%
	5	Rank 2018: 5 BV 2018: \$2,264m BV 2017: \$2,593m Brand Rating: AA	-13%
	6	Rank 2018: 6 BV 2018: \$1,913m BV 2017: \$1,183m Brand Rating: AAA-	+62%
	7	Rank 2018: 7 BV 2018: \$957m BV 2017: \$841m Brand Rating: AA	+14%
	8	Rank 2018: 8 BV 2018: \$952m BV 2017: \$1,366m Brand Rating: AA-	-30%
	9	Rank 2018: 9 BV 2018: \$927m BV 2017: \$714m Brand Rating: A+	+30%
	10	Rank 2018: 10 BV 2018: \$790m BV 2017: \$767m Brand Rating: AA-	+3%

Brand Value Over Time



Brand Value by Sector



Saudia Soars to New Heights

Amongst otherwise turbulent times for Gulf carriers and the airline industry as whole, there are positive signs coming from Saudia which has grown its brand value 30% since last year to US\$0.9 billion. The Kingdom’s national carrier currently flies to 89 destinations across four continents. The airline has just announced new seasonal services for the upcoming summer period with flights to Malaga, Spain and a daily service to Izmir, Turkey launching from June 2018.

SEC Powers up Brand Strength Score

Of all 25 Saudi Arabian brands, SEC holds the highest Brand Strength Index (BSI) score of 82.4 out of 100. In a landmark move towards full digitalisation, the utility brand introduced electronic bills instead of paper-based bills for all of its customers. Multiple efforts have also been made in the community awareness sphere as the brand rolled out a successful campaign on electrical safety.

Top 25 most valuable Saudi Arabian brands

Rank 2018	Brand name	Sector	Brand value (USD m) 2018	% change	Brand value (USD m) 2017	Brand rating 2018	Brand rating 2017
1	STC	Telecoms	6,651	+7%	6,218	AA+	AA+
2	SABIC	Chemicals	3,722	+78%	2,096	AA+	AA+
3	Al-Rajhi Bank	Banks	2,597	+22%	2,133	AAA-	AA
4	NCB	Banks	2,292	+16%	1,972	AA	AA-
5	Almarai	Food	2,264	-13%	2,593	AA	AA-
6	Saudi Electricity Company	Utilities	1,913	+62%	1,183	AAA-	AA-
7	Samba Financial Group	Banks	957	+14%	841	AA	AA
8	Mobily	Telecoms	952	-30%	1,366	AA-	A+
9	Saudia	Airlines	927	+30%	714	A+	A+
10	SABB	Banks	790	+3%	767	AA-	AA-
11	Riyad Bank	Banks					
12	Petro Rabigh	Chemicals					
13	Banque Saudi Fransi	Banks					
14	Arab National Bank	Banks					
15	Jarir Marketing	Retail					
16	Panda	Retail					
17	Tawuniya	Insurance					
18	Jabal Omar	Pro Services - Real Estate					
19	Alinma Bank	Banks					
20	Othaim Markets	Retail					
21	Ma'aden	Mining					
22	Nadec	Food					
23	Alawwal Bank	Banks					
24	Saudi Investment Bank	Banks					
25	Bank Albilad	Banks					

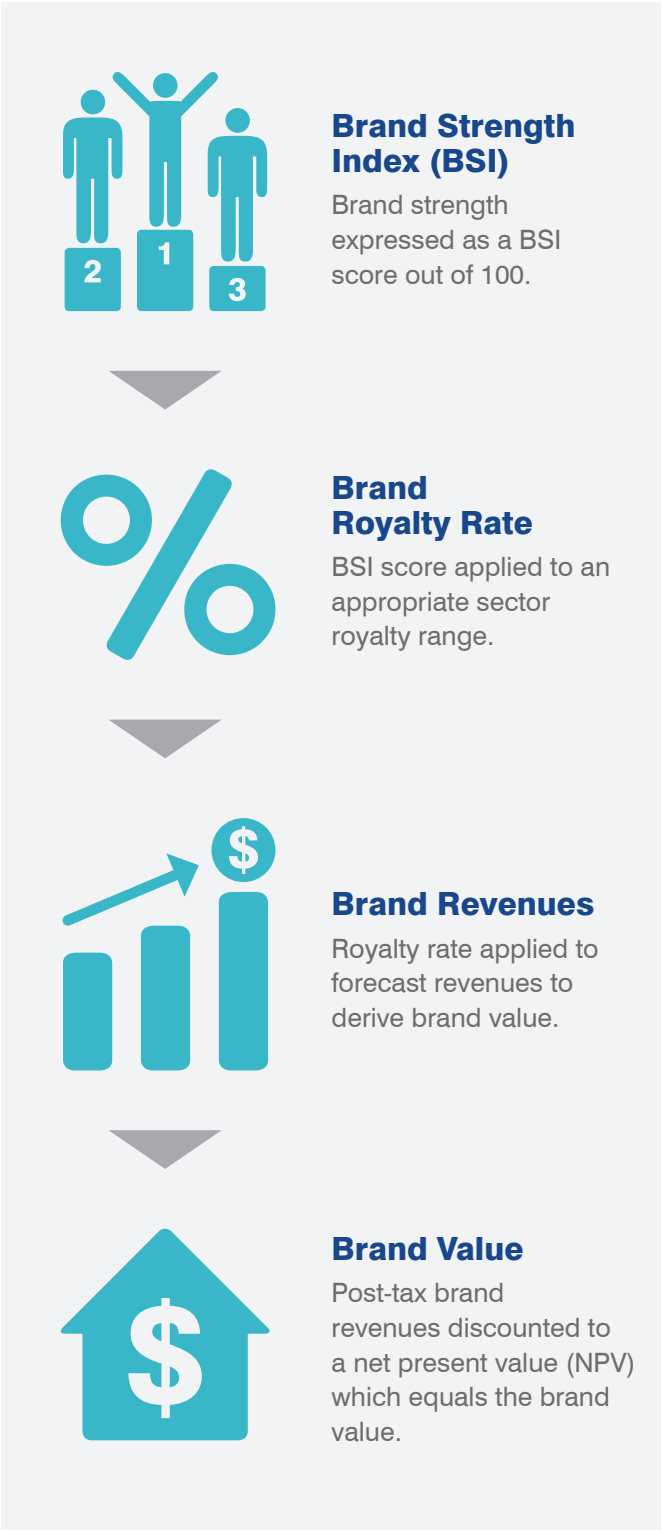
Methodology.

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:

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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.



Contact us.

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