



Brazil

50

2018

The annual report on the most valuable Brazilian brands
September 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.




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

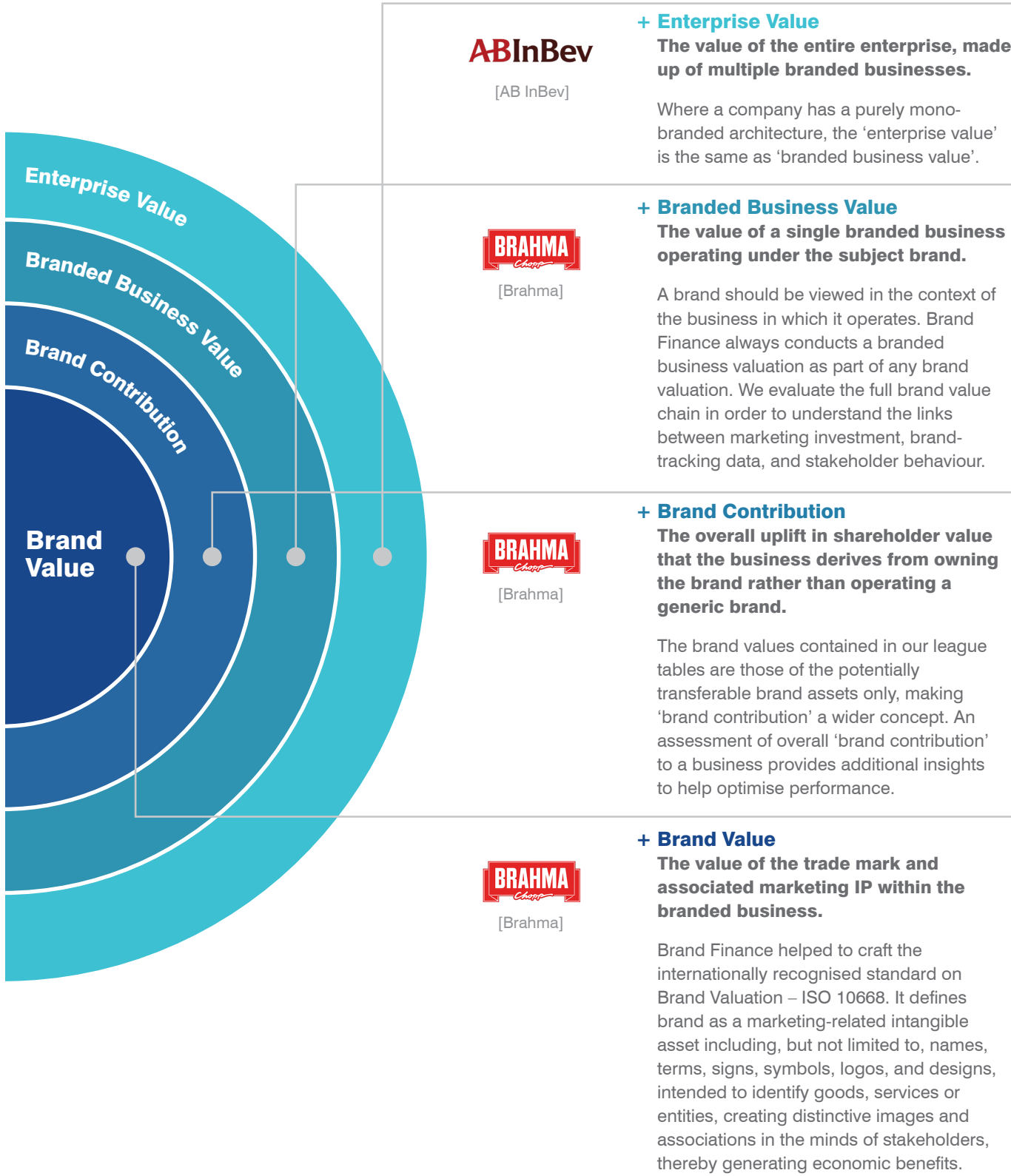
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Definitions.

Brand Value



Brand Strength

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

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.

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

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.



Itaú Dominates Brand Rankings

Brazilian bank Itaú tops the charts as the most valuable brand in Brazil and Latin America.

In the annual Brand Finance Brazil 50 study, the value of the Itaú brand, the country’s largest private sector bank, increased by 12% from the previous year, to R\$25.0 billion. Among other ambitious marketing efforts, Brazil’s banking giant has continued its drive towards sponsorships of major sporting events. For instance, the famous Miami Open tennis tournament will continue to be billed as the ‘Miami Open presented by Itaú’, with the relationship in place until 2024.

Top 10 maintain command

Other top 10 Brazilian brands have retained their lead over smaller brands, with little change in the rankings. Notably, Bradesco (R\$17.6 billion) has maintained second rank, while the oil and gas giant Petrobras (R\$16.0 billion) has overtaken Banco do Brasil (R\$13.0 billion) in third.

Itaú is ramping up its international presence and continues to amplify its brand value. The brand’s growth reflects a global trend among banking and financial services brands, as the damaging legacy of the financial crisis slowly fades away and banks focus their efforts towards aspects of their brand strength, launch new marketing initiatives, and combine these with new technology investments.

David Haigh
CEO, Brand Finance

Beers bubble up

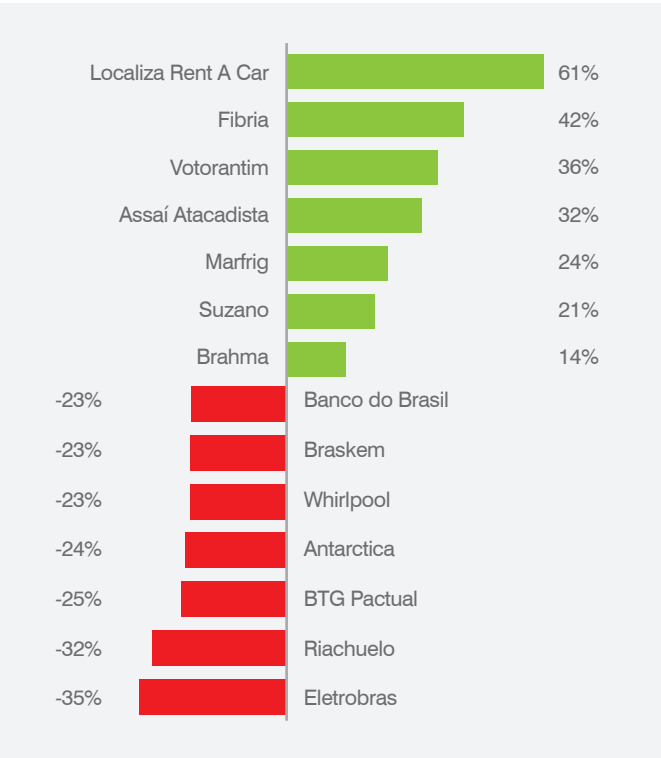
For a while now, beer brands have been serving up a solid presence throughout Latin America, competing in tough domestic markets as well as internationally and battling against trendier craft alternatives which have been flooding the alcoholic drinks market. With a brand value of R\$11.6 billion, up 14% since last year, Brahma is Brazil’s most valuable beer brand, claiming 5th rank nationally. Overall, Beers is the country’s second-most valuable sector behind Banking, contributing 12.6% of the ranking’s total brand value.

Natura is strongest brand in Brazil

Aside from measuring the overall brand value, Brand Finance also evaluates the relative strength of brands, based on factors such as marketing investment, customer familiarity, staff satisfaction, and corporate reputation. Along with the level of revenues, brand strength is a crucial driver of brand value.

According to these criteria, in 2018, one Brazilian brand achieved the elite AAA+ brand strength rating.

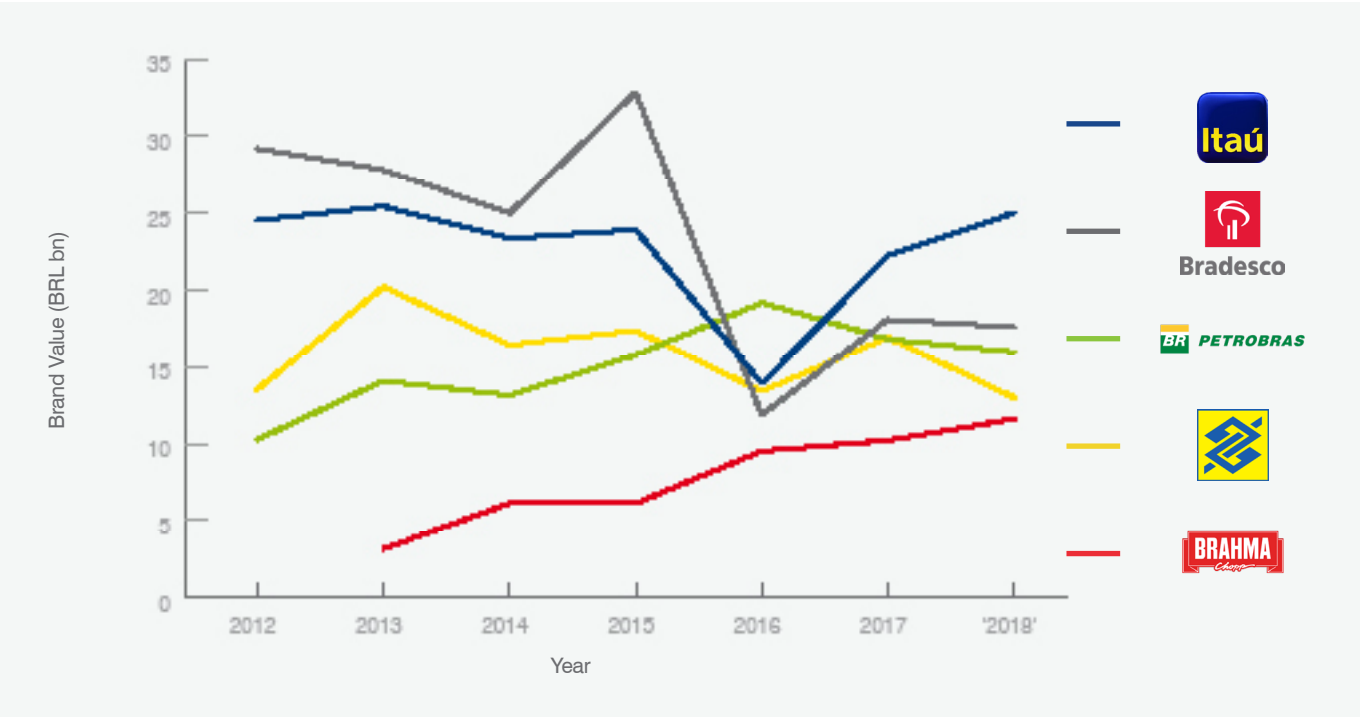
Brand Value Change 2017-2018 (%)



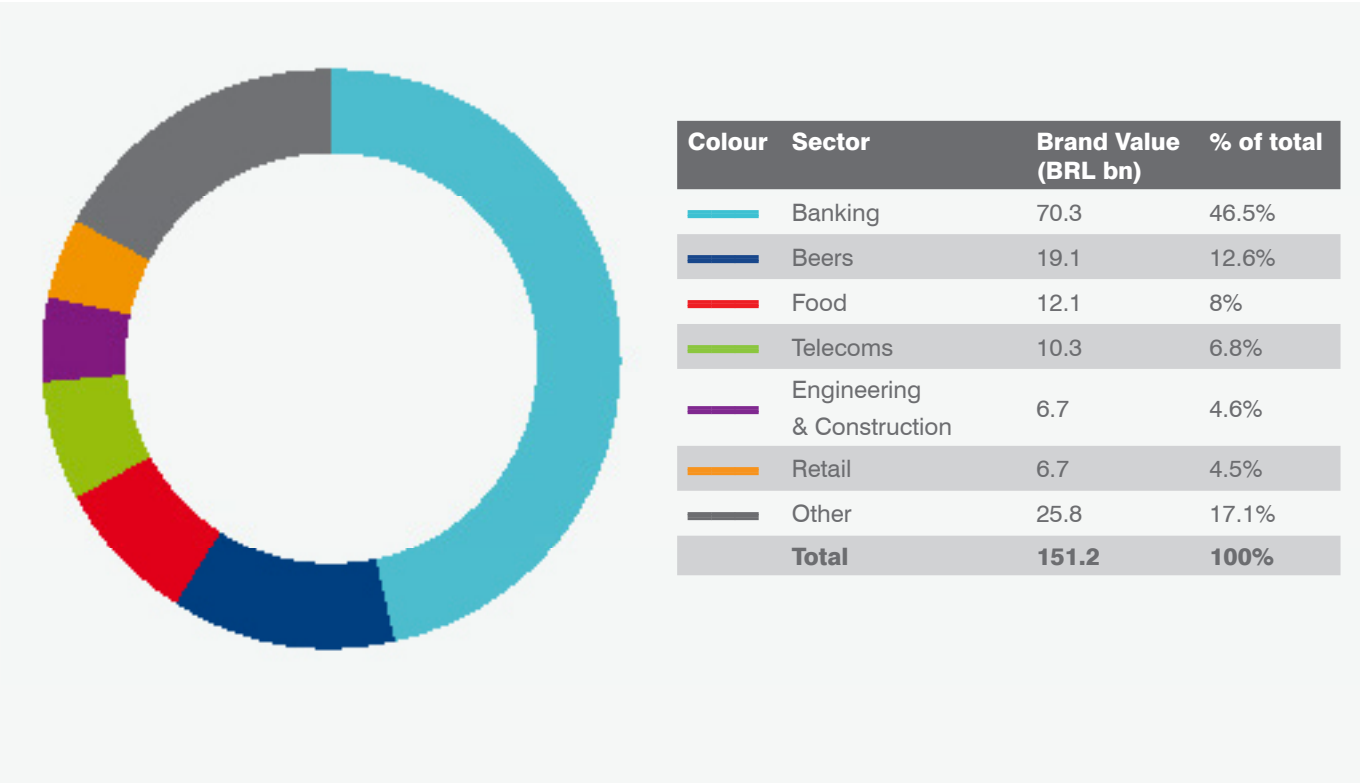
Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: 1 → BV 2018: R\$ 25,026m BV 2017: R\$ 22,262m 12% Brand Rating: AAA
	2	Rank 2018: 2 2017: 2 → BV 2018: R\$ 17,599m BV 2017: R\$ 18,101m -3% Brand Rating: AAA
	3	Rank 2018: 3 2017: 4 ↑ BV 2018: R\$ 15,964m BV 2017: R\$ 16,827m -5% Brand Rating: AAA
	4	Rank 2018: 4 2017: 3 ↓ BV 2018: R\$ 13,005m BV 2017: R\$ 16,925m -23% Brand Rating: AAA-
	5	Rank 2018: 5 2017: 5 → BV 2018: R\$ 11,606m BV 2017: R\$ 10,213m 14% Brand Rating: AAA
	6	Rank 2018: 6 2017: 6 → BV 2018: R\$ 10,362m BV 2017: R\$ 9,964m 4% Brand Rating: AAA
	7	Rank 2018: 7 2017: 7 → BV 2018: R\$ 8,185m BV 2017: R\$ 9,786m -16% Brand Rating: A+
	8	Rank 2018: 8 2017: 9 ↑ BV 2018: R\$ 6,557m BV 2017: R\$ 6,704m -2% Brand Rating: AA+
	9	Rank 2018: 9 2017: 8 ↓ BV 2018: R\$ 6,539m BV 2017: R\$ 7,606m -14% Brand Rating: A+
	10	Rank 2018: 10 2017: 11 ↑ BV 2018: R\$ 3,959m BV 2017: R\$ 4,377m -10% Brand Rating: AA+

Brand Value Over Time



Brand Value by Sector



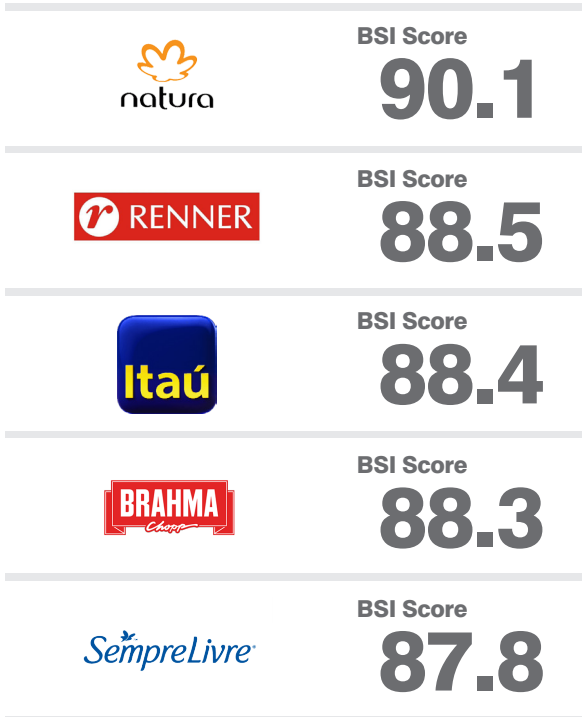
Natura, a manufacturer and marketer of beauty products, is Brazil's and Latin America's strongest brand, earning a BSI score of 90.1 out of 100. Just a handful of brands in the world across all industries achieve the rare AAA+ status, awarded to those with a BSI score of 89.5 or more.

33 of 100 most valuable Latin American brands are from Brazil

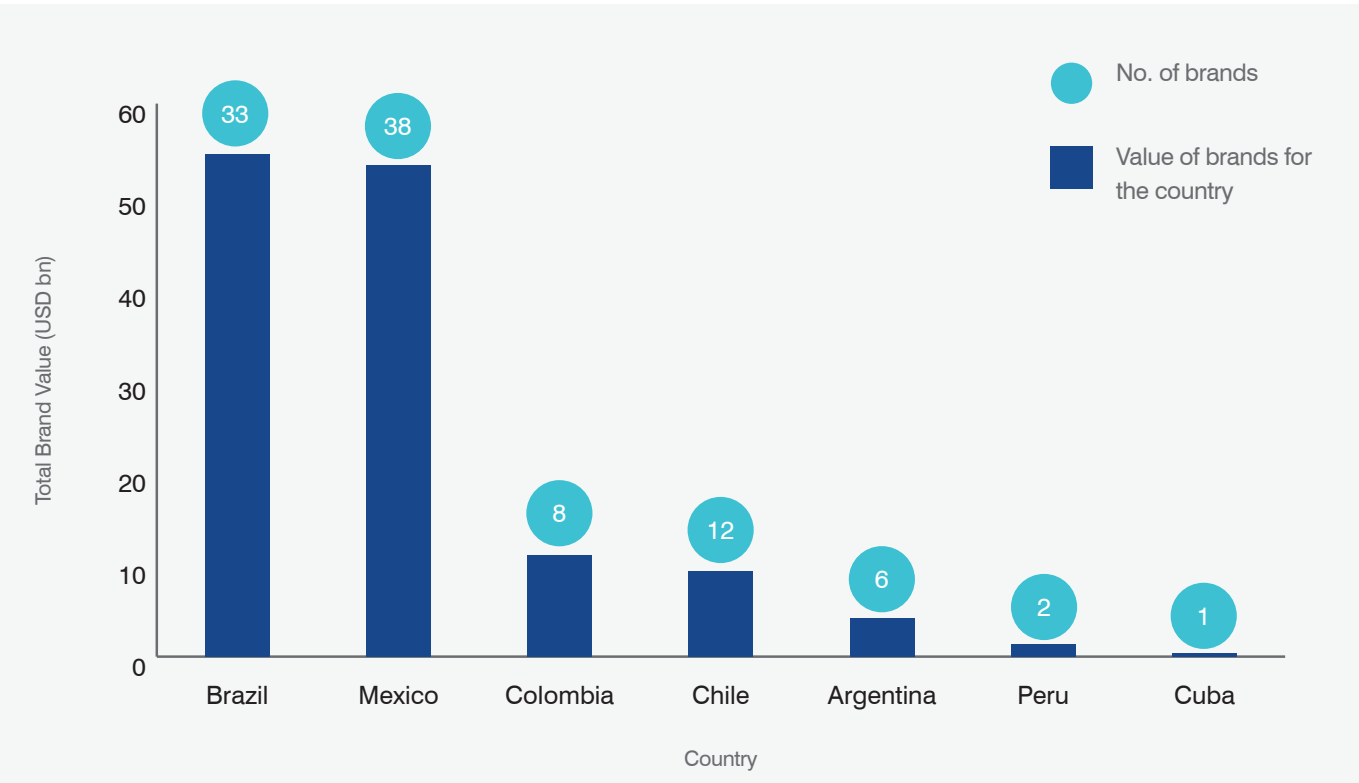
In the wider Brand Finance Latin America 100 2018 ranking, one third of the 100 most valuable brands in Latin America come from Brazil.

The total brand value of the 33 Brazilian brands in the Latin American ranking amounts to US\$54.6 billion, more than for brands from any other country in the region. It cements Brazil's leading role across Latin America, especially in such a testing economic climate in the wider region.

Top 10 Strongest Brands



Total Value of Brands by Country



Brand Finance

Brazil 50 (BRL m).

Top 50 most valuable Brazilian brands 1-50

Rank 2018	Rank 2017	Brand name	Sector	Brand value (BRL m) 2018	% change	Brand value (BRL m) 2017	Brand rating 2018	Brand rating 2017
1	1	Itaú	Banking	25,026	12%	22,262	AAA	AA+
2	2	Bradesco	Banking	17,599	-3%	18,101	AAA	AAA-
3	4	Petrobras	Oil & Gas	15,964	-5%	16,827	AAA	AAA-
4	3	Banco do Brasil	Banking	13,005	-23%	16,925	AAA-	AAA-
5	5	Brahma	Beers	11,606	14%	10,213	AAA	AAA
6	6	Skol	Conglomerates	10,362	4%	9,964	AAA	AAA
7	7	Caixa	Banking	8,185	-16%	9,786	A+	AA+
8	9	Vivo	Telecoms	6,557	-2%	6,704	AA+	AAA-
9	8	Vale	Mining, Iron & Steel	6,539	-14%	7,606	A+	AA+
10	11	Cielo	Banking	3,959	-10%	4,377	AA+	AA
11	18	Fibraia	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
12	10	Antarctica	Beers	🔒	🔒	🔒	🔒	🔒
13	12	Natura	Cosmetics & Personal Care	🔒	🔒	🔒	🔒	🔒
14	13	Sadia	Food	🔒	🔒	🔒	🔒	🔒
15	15	Embraer	Aerospace & Defence	🔒	🔒	🔒	🔒	🔒
16	14	Oi	Telecoms	🔒	🔒	🔒	🔒	🔒
17	17	Elegê	Food	🔒	🔒	🔒	🔒	🔒
18	New	Nova Schin	Beers	🔒	🔒	🔒	🔒	🔒
19	16	Braskem	Chemicals	🔒	🔒	🔒	🔒	🔒
20	25	Votorantim	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
21	19	Ipiranga	Oil & Gas	🔒	🔒	🔒	🔒	🔒
22	20	Americanas	Retail	🔒	🔒	🔒	🔒	🔒
23	21	Batavo	Food	🔒	🔒	🔒	🔒	🔒
24	27	Marfrig	Food	🔒	🔒	🔒	🔒	🔒
25	23	Sul América	Insurance	🔒	🔒	🔒	🔒	🔒
26	22	Ultra	Oil & Gas	🔒	🔒	🔒	🔒	🔒
27	25	Renner	Retail	🔒	🔒	🔒	🔒	🔒
28	31	Porto Seguro	Insurance	🔒	🔒	🔒	🔒	🔒
29	29	Extra	Retail	🔒	🔒	🔒	🔒	🔒
30	28	Gerdau	Mining, Iron & Steel	🔒	🔒	🔒	🔒	🔒
31	34	BRF	Food	🔒	🔒	🔒	🔒	🔒
32	New	Kaiser	Beers	🔒	🔒	🔒	🔒	🔒
33	36	Havaianas	Apparel	🔒	🔒	🔒	🔒	🔒
34	33	Sempre Livre	Household Products	🔒	🔒	🔒	🔒	🔒
35	43	Suzano	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
36	35	BTG Pactual	Banking	🔒	🔒	🔒	🔒	🔒
37	30	Eletrobras	Utilities	🔒	🔒	🔒	🔒	🔒
38	42	Banrisul	Banking	🔒	🔒	🔒	🔒	🔒
39	New	Assaí Atacadista	Retail	🔒	🔒	🔒	🔒	🔒
40	46	CPFL Energia	Utilities	🔒	🔒	🔒	🔒	🔒
41	New	Localiza Rent A Car	Car Rental	🔒	🔒	🔒	🔒	🔒
42	40	Pão de Açúcar	Retail	🔒	🔒	🔒	🔒	🔒
43	38	Whirlpool	Tech	🔒	🔒	🔒	🔒	🔒
44	37	Riachuelo	Apparel	🔒	🔒	🔒	🔒	🔒
45	New	Banco Safra	Banking	🔒	🔒	🔒	🔒	🔒
46	49	Qualy	Food	🔒	🔒	🔒	🔒	🔒
47	New	Cemig	Utilities	🔒	🔒	🔒	🔒	🔒
48	New	Kroton	Commercial	🔒	🔒	🔒	🔒	🔒
49	New	Embratel	Telecoms	🔒	🔒	🔒	🔒	🔒
50	New	Engie Brasil Energia	Utilities	🔒	🔒	🔒	🔒	🔒



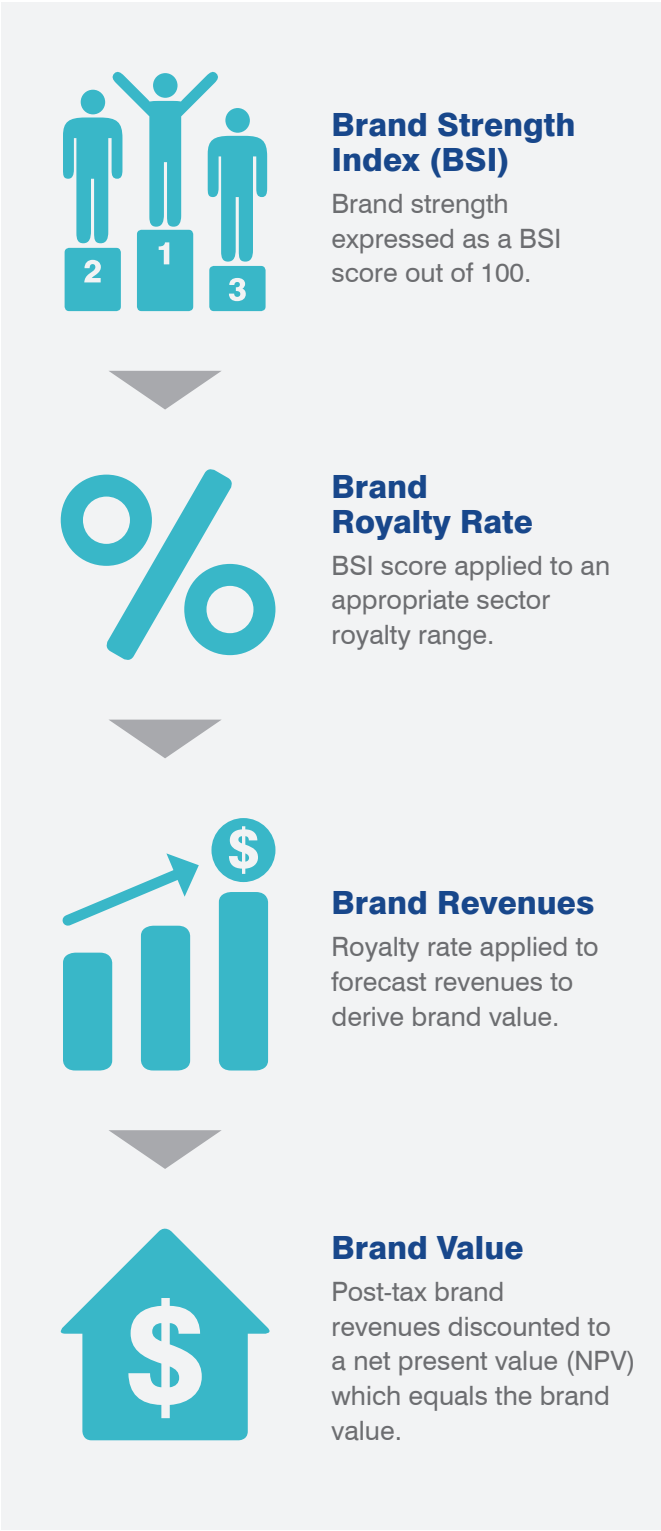
Methodology.

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.



Communications Services.

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



Brand Finance[®]

Strongest Global Brand 2018

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



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