

## BrandFinance® South Africa Top 50

### The Annual Report on South Africa's 50 Most Valuable Brands | July 2014

#### Top 50 brands are a catalyst for South Africa's growth and a winning nation

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Despite another year of difficult global trading conditions, the total brand value of the BrandFinance South Africa Top 50 brands increased 18% from R343bn from 2013's value of R291bn. Surprisingly though, the Top 10 brands have only grown at 14% against the 22% of the bottom 40 brands, indicating the momentum is with the smaller players. These top 10 brands account for 52% of total brand value amongst the Top 50 with MTN accounting for a massive 16.5% of total brand value. By sector, there are 13 financial services brands (banks and insurance) in the Top 50 generating R89bn (26%) of value, followed by 5 telecom brands generating 25% of value and 16 food and beverage brands generating 22.6%.

Among the BrandAfrica 100 Most Valuable Brands in Africa, South Africa leads Africa with a 72% share, compared to Nigeria at 26% and Kenya at 2%. MTN tops the table in Africa too.

In the category of South Africa's Strongest Brand, MTN and FNB are both rated as this year's strongest brands – this is the third year running that FNB have achieved this ranking. In the year that South Africa lost its founding democratic President and Most Valuable Icon, Nelson Mandela, it's interesting to note that the underlying core values of these brands closely follow those of Madiba's. It's no surprise then that these brands resonate with South African consumers where others battle.

It also comes as no surprise that more than half of the brands have a significant presence beyond South African borders. While Nigeria has the highest GDP in the continent, South Africa dominates the branding landscape across Africa – with 80% of the Top 50 all essential staples in a continent that is turning the corner from being a consumer to becoming a creator. It is estimated that if intra-Africa trade is increased by 1%, it will generate \$50bn in revenues. With its experience in building and creating portfolios of world-class brands, South Africa is in a good position to play a leading role in that African renaissance.

The brands of a nation are not only a vector of its image, but a catalyst of its wealth too. There is empirical evidence that the value of the brands with the top nations has an almost direct correlation with their GDP.

That South Africa is not among the six African nations in the Top 10 fastest growing economies globally (Economist) and not one of the three African frontier markets that are recognized to offer high returns and improving economic institution (Botswana (#2), Rwanda (#5) and Ghana (#10)) (Foreign Policy Magazine's Baseline Profitability Index) is a challenge that South Africa needs to address if it is to remain the most admired African nation, and competitive with fellow African and BRICS nations.

A thriving 'Made in South Africa' and entrepreneurship spirit are what built South Africa's wealth, reputation and competitiveness – and the BrandFinance South Africa Top 50 brands. For Africa and certainly for South Africa to grow independent, create jobs and reduce inequality, it will need to invest in the attributes that built these brands – on top of increasing intra-Africa trade - to challenge global brands in Africa.

The pan-African dominance, global reputation and success of the Top 50 shows that South Africa has the creativity, skill and experience to continue building great brands and a great, growing nation. Top 50 brands are a catalyst of South Africa's growth and a winning nation – and Africa.

## Top 50 Most Valuable brands

Rank 2014	Rank 2013	Brand	Parent Company	Industry Group	BV 2014 (ZAR m)	Change	Brand Rating 2014	EV 2014 (ZAR m)	BV/ EV	BV 2013 (ZAR m)	Brand Rating 2013	EV 2013 (ZAR m)	BV/ EV
1	1	MTN	MTN Group Ltd	Telecommunications	56,338	31%	AAA-	410,612	14%	43,066	AAA-	299,910	14%
2	3	SASOL	Sasol Ltd	Chemicals	20,808	13%	AA	344,087	6%	18,372	AA	251,869	7%
3	2	Vodacom	Vodacom Group Ltd	Telecommunications	18,296	-6%	AA	185,163	10%	19,386	AA+	173,184	11%
4	4	Standard Bank	Standard Bank Group Ltd	Banks	16,695	18%	AA+	114,896	15%	14,200	AA+	56,102	25%
5	5	ABSA	Barclays Africa Group Ltd	Banks	12,806	3%	AA-	114,110	11%	12,411	AA	114,866	11%
6	6	Nedbank	Nedbank Group Ltd	Banks	12,518	15%	AA	100,511	12%	10,920	AA	80,067	14%
7	8	First National Bank	FirstRand Ltd	Banks	11,060	17%	AAA-	117,405	9%	9,487	AAA-	62,704	15%
8	10	Mediclinic	Mediclinic International Ltd	Healthcare-Services	9,583	19%	AA+	83,755	11%	8,061	AA-	74,321	11%
9	18	Investec	Investec Ltd	Diversified Finan Serv	9,505	67%	AA-	65,837	14%	5,678	AA-	51,129	11%
10	7	Woolworths	Woolworths Holdings Ltd	Retail	9,436	-12%	AA+	36,795	26%	10,778	AA+	46,009	23%
11	9	Shoprite	Shoprite Holdings Ltd	Retail - Food Specialists	8,896	-4%	AA-	36,101	25%	9,286	AA-	40,551	23%
12	17	MultiChoice	Naspers Ltd	Media	8,817	51%	A+	189,344	5%	5,841	A+	108,540	5%
13	14	Netcare	Netcare Ltd	Healthcare-Services	8,018	28%	AA	40,500	20%	6,257	A+	51,465	12%
14	11	Spar	Spar Group Limited/The	Food	7,243	-5%	AA	20,391	36%	7,592	AA-	18,199	42%
15	13	Mondi	Mondi Ltd	Forest Products&Paper	7,074	12%	AA	108,980	6%	6,312	A+	79,270	8%
16	15*	Castle	SABMiller Plc	Beverages	6,985	15%	AA+	71,639	10%	6,085	AA+	67,059	9%
17	12	Pick'n Pay	Pick n Pay Stores Ltd	Retail	6,902	-2%	A+	21,783	32%	7,073	A+	18,598	38%
18	19*	Carling Black Label	SABMiller Plc	Beverages	6,798	26%	AA+	68,597	10%	5,398	AA	64,212	8%
19	20	Telkom	Telkom Sa Ltd	Telecommunications	6,279	21%	AA	17,436	36%	5,169	AA	12,198	42%
20	22	Sappi	Sappi Limited	Forest Products&Paper	6,260	42%	A+	42,199	15%	4,424	A	29,926	15%
21	16	Sanlam	Sanlam Ltd	Insurance	5,266	-12%	AA	98,175	5%	5,986	AA-	89,984	7%
22	26*	Hansa Pilsener	SABMiller Plc	Beverages	5,113	35%	AA	55,035	9%	3,774	A+	51,517	7%
23	21	Mr Price	Mr Price Group Ltd	Retail	4,961	12%	AA	28,038	18%	4,443	AA-	25,152	18%
24	28	Discovery	Discovery Ltd	Insurance	4,135	15%	AA	42,556	10%	3,602	AA+	46,739	8%
25	24*	Grindrod	Grindrod Ltd	Transportation	4,109	5%	A+	18,198	23%	3,922	A+	11,217	35%
26	31	Wesbank	FirstRand Ltd	Banks	4,090	35%	AA-	52,648	8%	3,022	AA-	12,609	24%
27	23	Truworths	Truworths International Ltd	Retail	3,983	0%	AA-	27,386	15%	3,976	AA-	35,059	11%
28	25	Media24	Naspers Ltd	Media	3,969	5%	AA	74,669	5%	3,774	AA-	62,210	6%
29	29	African Bank	African Bank Investments Ltd	Diversified Finan Serv	3,826	13%	AA-	12,303	31%	3,391	AA	12,123	28%
30	32	Bidvest	Bidvest Group Ltd	Holding Companies-Divers	3,504	24%	AA	85,542	4%	2,834	A+	79,837	4%
31	34	SABMiller	Sabmiller Plc	Beverages	3,322	21%	AA	956,620	0%	2,736	AA	895,461	0%
32	30	Makro	Massmart Holdings Ltd	Retail	3,258	8%	AA	7,670	42%	3,024	A+	9,460	32%
33	35	CLICKS	Clicks Group Ltd	Retail-Drug Store	3,169	17%	AA	9,059	35%	2,702	AA-	8,940	30%
34	33	Liberty	Liberty Holdings Ltd	Insurance	2,928	3%	AA-	31,851	9%	2,830	A+	31,564	9%
35	36*	Huletts	Tongaat Hulett Ltd	Holding Companies-Divers	2,876	9%	AA	20,420	14%	2,639	A+	20,095	13%
36	44	Rainbow Chicken	Rainbow Chicken Ltd	Food	2,747	41%	AA-	12,262	22%	1,952	A	9,327	21%
37	40	Altech	Allied Technologies Ltd	Telecommunications	2,691	18%	A+	11,894	23%	2,278	AA-	9,181	25%
38	39	Checkers	Shoprite Holdings Ltd	Retail - Food Specialists	2,622	14%	A+	13,944	19%	2,306	A	15,663	15%
39	43	Life	Life Healthcare Group	Healthcare-Services	2,594	27%	AA-	41,133	6%	2,042	A	37,779	5%
40	37	Nampak	Nampak Ltd	Packaging&Containers	2,532	3%	AA-	25,788	10%	2,452	A+	24,496	10%
41	49	Steinhoff	Steinhoff Intl Holdings Ltd	Holding Companies-Divers	2,504	67%	AA-	147,590	2%	1,496	A+	86,415	2%
42	45*	Capitec Bank	Capitec Bank Holdings Ltd	Diversified Finan Serv	2,366	27%	AA	23,705	10%	1,865	AA-	20,678	9%
43	38	SAA	South African Airways	Airlines	2,350	1%	A+			2,325	A+		
44	47	Rand Merchant Bank	FirstRand Ltd	Banks	2,296	36%	AA	25,232	9%	1,694	AA-	2,896	58%
45	48	Imperial	Imperial Holdings Ltd	Holding Companies-Divers	2,133	38%	AA-	44,742	5%	1,547	A+	52,081	3%
46	41	Game	Massmart Holdings Ltd	Retail	2,035	-8%	A	5,601	36%	2,211	A	8,773	25%
47		Cell C	Oger Telecom	Telecommunications	1,835	31%	A						
48	42	Santam	Santam Ltd	Insurance	1,812	13%	AA-	21,235	9%	2,077	AA-	20,961	10%
49	52	Foschini	The Foschini Group Ltd	Retail	1,656	-6%	AA-	7,209	23%	1,315	AA	7,438	18%
50	46	Sasko	Pioneer Foods Ltd	Food Service	1,581	18%	AA	10,997	14%	1,817	A+	8,939	20%

\*value restated

## 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 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.

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 for the year ending 30 June 2014.

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## About Brand Finance

Brand Finance plc, the world's leading brand valuation consultancy, advises strongly branded organisations on maximising their brand value through effective management of their brands and intangible assets. Founded in 1996, Brand Finance has performed thousands of branded business, brand and intangible asset valuations worth trillions of dollars.

Its clients include international brand owners, tax authorities, Intellectual Property lawyers and investment banks. Its work is frequently peer-reviewed by the big four audit practices and its reports have 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 Cape Town, Durban, Johannesburg, Amsterdam, Athens, Bangalore, Barcelona, Colombo, Dubai, Geneva, Helsinki, Hong Kong, Istanbul, Lisbon, Madrid, Moscow, New York, Paris, Sao Paulo, Sydney, Singapore, Toronto and Zagreb.

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