



Drinks

50

2015

The annual report on the world's most valuable drinks brands
February 2015

Foreword.



David Haigh, CEO, Brand Finance

“The boardroom can sometimes feel like the tower of Babel, with CMOs and CFOs speaking mutually unintelligible languages, damaging the prospects for what should be their shared goals. Brand Finance bridges the gap between marketing and 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 the marketing and financial worlds. 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 marketers 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 maximizes profits.

Of course not all non-marketers need to be convinced that brands are valuable. Warren Buffet, renowned for his financial nous and stock picking ability, is famously keen on investing in some of the world’s biggest and best-loved brands such as Heinz and Coca-Cola. The sage

of Omaha certainly does extremely well from most of his investments, but could he be doing better?

It is all well and good to want a strong brand that customers connect with, but as with any asset, without knowing the precise, financial value, 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?

Brand Finance has conducted hundreds of brand and branded-business valuations to help answer these questions. 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.

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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 almost 20 years we have helped companies to connect their brands to the bottom line, building robust business cases for brand decisions, strategies and investments. In doing so, we have helped finance people to evaluate marketing programmes and marketing people to present their case in the Board Room.

Independence
Brand Finance is impartial and independent. We assess and help to manage brands, but we do not create or own them. We are therefore able to give objective, unbiased advice because we have no vested interest in particular outcomes of a project and our recommendations are entirely independent. We are agency agnostic and work collaboratively with many other agencies and consultancies.

Technical credibility
Brand Finance has high technical standards. Our work is frequently peer-reviewed by the big four audit practices and our work has been accepted by tax authorities and

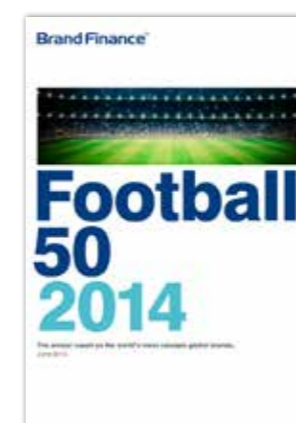
regulatory bodies around the world. We are one of the few companies certified to provide brand valuations that are fully compliant with ISO 10668, the global standard on monetary brand valuations.

Transparency
There are no black boxes. Our approach is to work openly, collaboratively and flexibly with clients and we will always reveal the details of our modelling and analysis. This means our clients always understand what lies behind 'the number'.

Expertise
We possess a unique combination of skills and experience. We employ functional experts with marketing, research and financial backgrounds, as well as ex-client-side senior management who are used to 'making things happen'. This gives us the mindset to think beyond the analysis and to consider the likely impact on day-to-day operations. We like to think this differentiates us because our team has real operational experience.

For more information, please visit our website: brandfinance.com

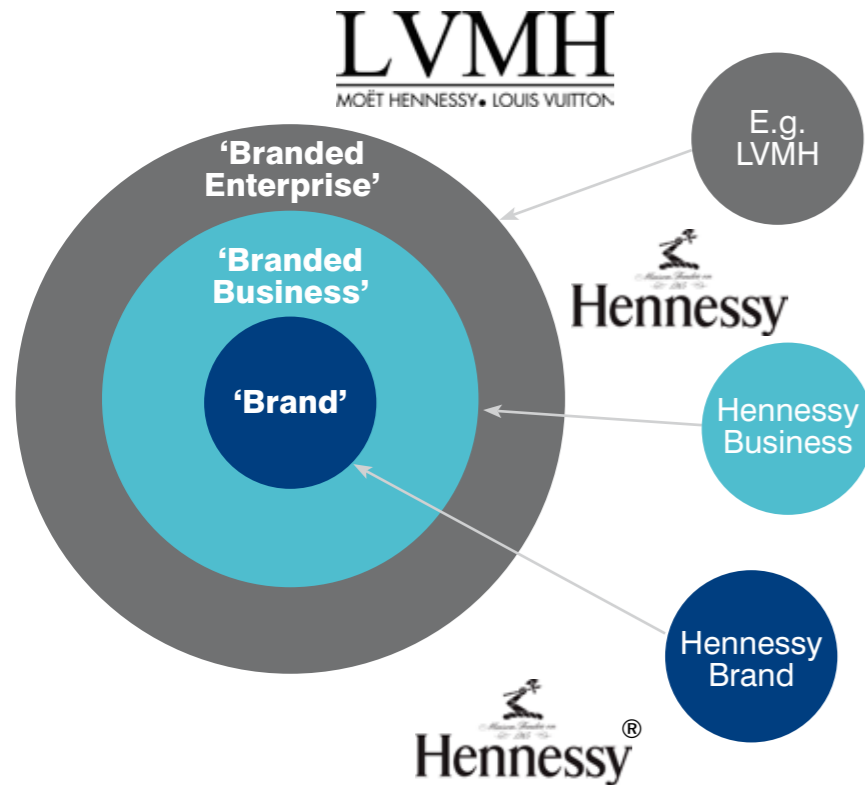
Brand Finance puts thousands of the world's biggest brands to the test every year, evaluating which are the most powerful and most valuable. The Global 500 covers the top 500 from all sectors and is just one of many annual reports produced by Brand Finance. Visit www.brandfinance.com to discover more.



Bridging the gap between marketing and finance

Methodology

What do we mean by 'brand'?



Definitions

+ **Enterprise Value** – the value of the entire enterprise, made up of multiple branded businesses

+ **Branded Business Value** – the value of a single branded business operating under the subject brand

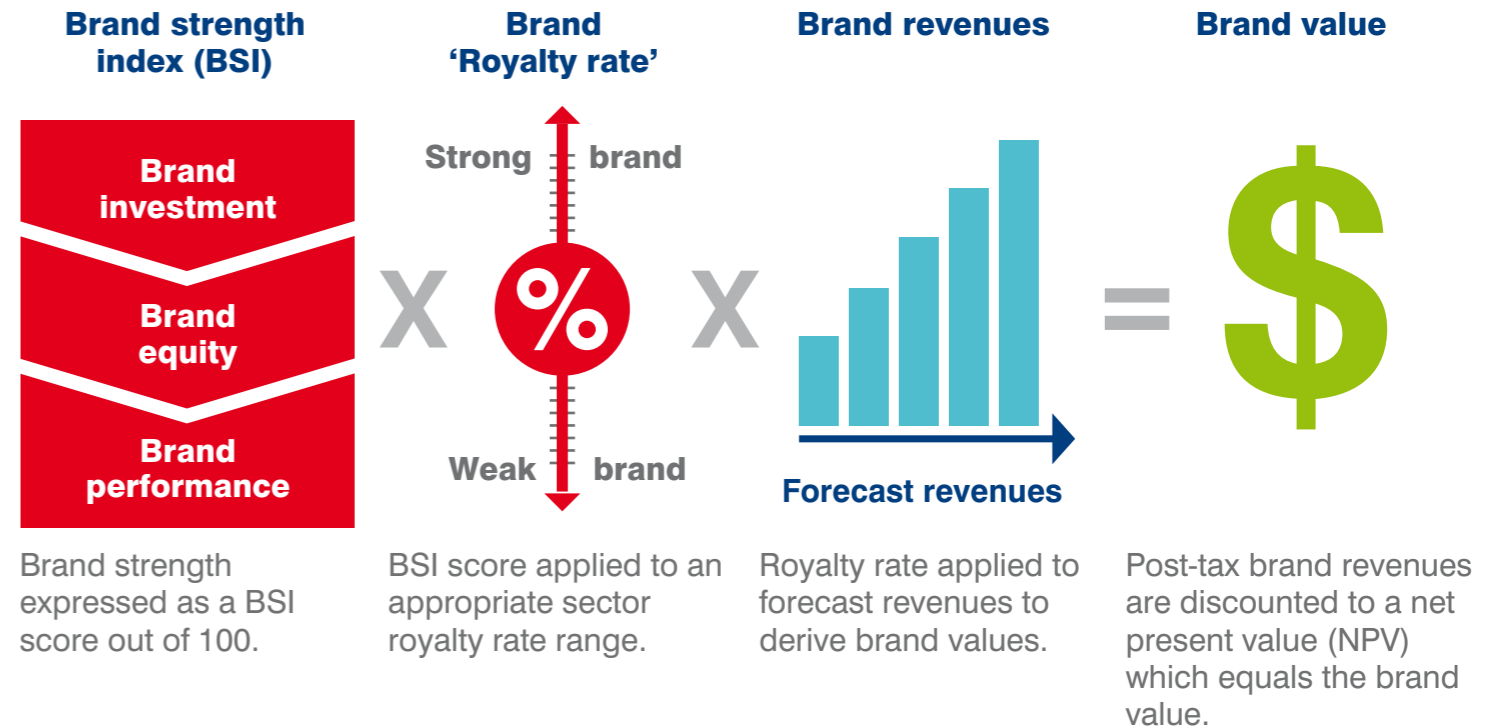
+ **Brand Value** – the value of the trade marks (and relating marketing IP and 'goodwill' attached to it) within the branded business

Definition of 'Brand'

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required. Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as “a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value”

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance. Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.



Brand strength expressed as a BSI score out of 100.

BSI score applied to an appropriate sector royalty rate range.

Royalty rate applied to forecast revenues to derive brand values.

Post-tax brand revenues are discounted to a net present value (NPV) which equals the brand value.

Brand Finance calculates the values of the brands in its league tables 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, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

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 marketing investment, emotional connection and financial performance, among others. This score is known as the Brand Strength Index. This year, Brand Finance has incorporated market research from BAV Consulting to help inform the process of calculating this score. The data provided by BAV Consulting relates to measures such as awareness, preference and loyalty which have been derived from panels of respondents across 20 countries.

- 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 0%-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 approximately 4%.
- 4 Determine brand-specific forecast revenues using a function of case sales, average prices and equity analyst forecasts to determine the proportion of a parent company's revenues attributable to a specific brand
- 5 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 6 Brand revenues are discounted post tax to a net present value which equals the brand value.

Sector Analysis – Drinks

Drinks 50



Despite slowing growth in emerging economies and excise tax increases as governments seek to curb drinking, the spirits sector is on track to maintain the momentum it has achieved over the past few years. Global sales growth is being driven by an increased taste for pricier brands and innovation such as new flavours of vodka and more recently whiskey.

Johnnie Walker




The global whisky brand has retained its position as the most valuable spirits brand in the world this year, achieving a 13% increase in value. Johnnie Walker's brand value for 2015 stands at \$5.6bn, more than \$1bn above second place Moutai.

Clever marketing strategies and a truly global presence have helped the brand achieve consecutive gains in brand value. Although sales

in the US may be in a state of decline, the brand has had success on the back of the global growth in consumer preference for premium brands, seeing increasing demand for Johnnie Walker's premium Blue, Double Black and Platinum label variants.

Jack Daniels

Jack Daniels has climbed two places in the Spirits Top 50 and is now the 6th most valuable spirits brand in the world with a brand value of \$1.95bn. The company has experienced rising sales as the popularity of brown spirits increases, particularly in the US which has seen a rise in popularity of bourbons. Jack Daniels has realised significant benefits on the back of successful flavour innovation, the 'Tennessee Honey' variety of their world-renowned bourbon has experienced sizeable growth – the possible

	1 Rank 2015: 1 2014: 1 → BV 2015: \$5,603m +13% BV 2014: \$4,966m Brand Rating: AAA
	2 Rank 2015: 2 2014: 2 → BV 2015: \$4,483m +8% BV 2014: \$4,165m Brand Rating: AAA-
	3 Rank 2015: 3 2014: 3 → BV 2015: \$3,379m +21% BV 2014: \$2,787m Brand Rating: AA+
	4 Rank 2015: 4 2014: 6 ↑ BV 2015: \$2,474m +23% BV 2014: \$2,019m Brand Rating: AA+
	5 Rank 2015: 5 2014: 4 ↓ BV 2015: \$2,118m -6% BV 2014: \$2,259m Brand Rating: AAA-





result of increased appeal to women – selling a million cases in only three years.

Jägermeister

Jägermeister has experienced a growth in popularity over recent years, seeing the brand gain in value by 25% to \$669m this year. The brand has no clear competitors and its distinctive flavour and aggressive marketing campaigns have won over the masses. Despite the brand facing recent competition in the American market from Fireball Cinnamon Whisky, that trend is yet to translate internationally and therefore, Jägermeister remains the “shot of choice”.

Chinese Anti-extravagance

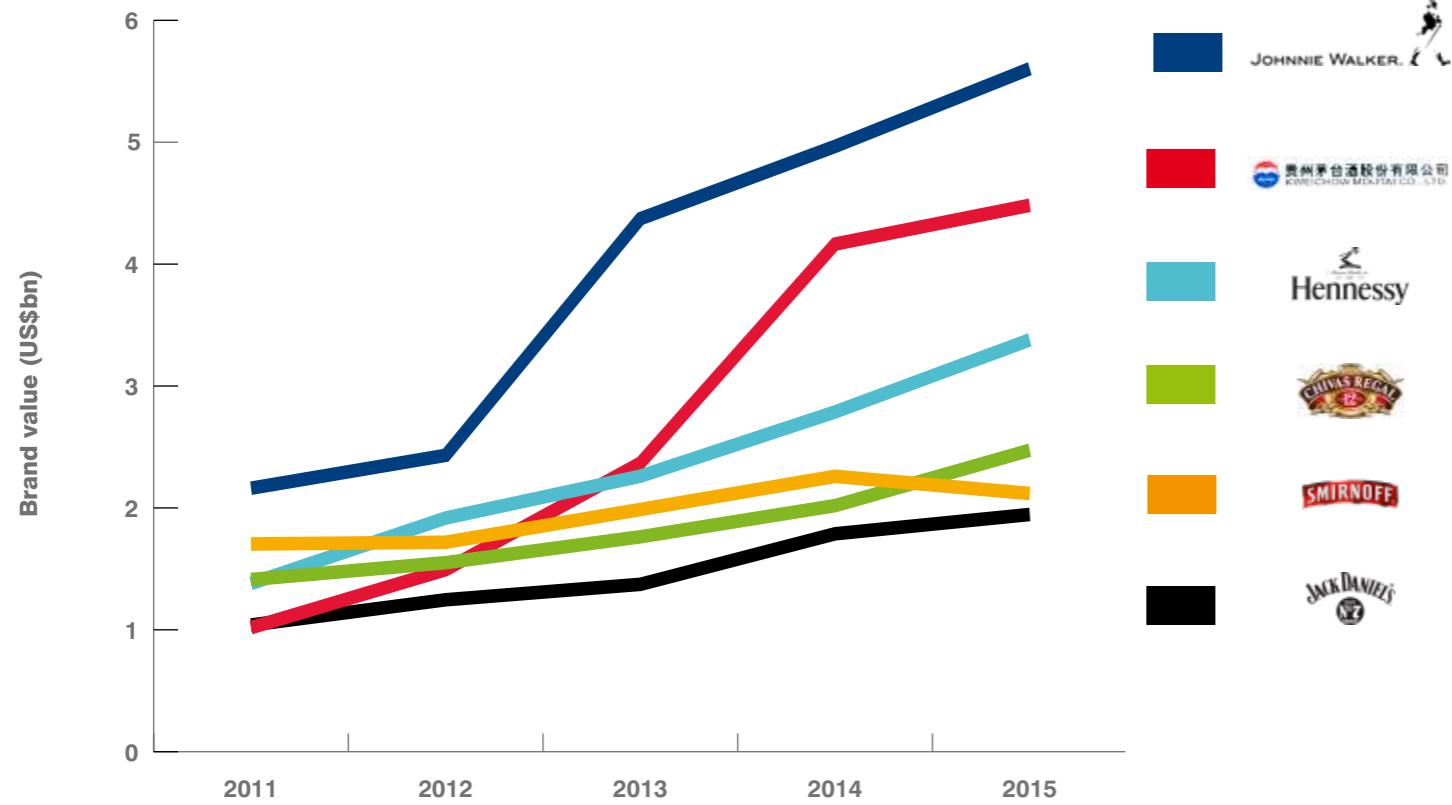
Government austerity measures have seen decreased sales of upmarket spirits, affecting

	6 Rank 2015: 6 2014: 8 ↑ BV 2015: \$1,946m +9% BV 2014: \$1,788m Brand Rating: AAA-
	7 Rank 2015: 7 2014: 5 ↓ BV 2015: \$1,908m -6% BV 2014: \$2,022m Brand Rating: AA+
	8 Rank 2015: 8 2014: 10 ↑ BV 2015: \$1,764m +9% BV 2014: \$1,615m Brand Rating: AA
	9 Rank 2015: 9 2014: 7 ↓ BV 2015: \$1,679m -6% BV 2014: \$1,796m Brand Rating: AA-
	10 Rank 2015: 10 2014: BV 2015: \$1,521m BV 2014: Brand Rating: AA

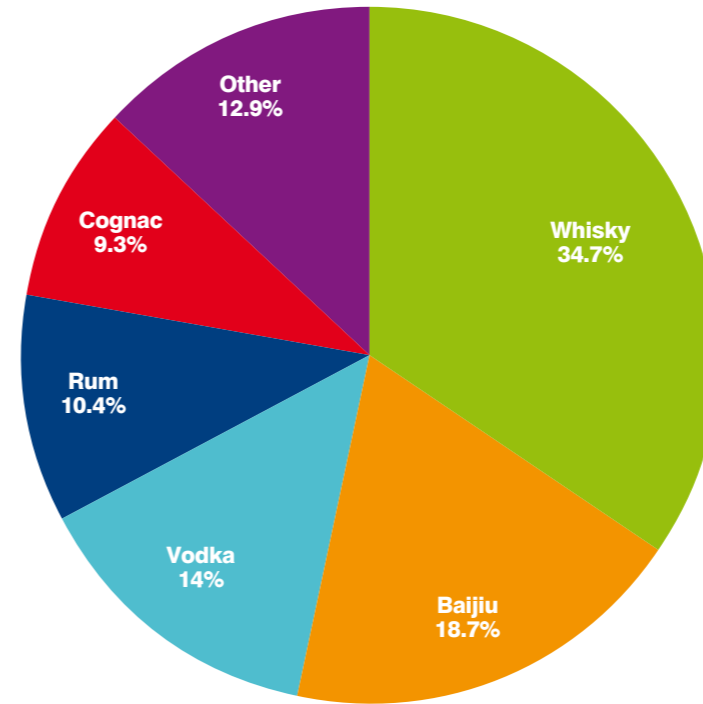
domestic and international spirits brands alike. The Chinese government has been seeking to put an end to the extravagance that officials and entrepreneurs have become accustomed to and resultantly a decline in spirits sales within the country has been seen.

Chinese brands in particular have been affected - There are five Chinese brands in the top 50 spirits brands this year – Kweichow Moutai, Wuliangye, Yanghe, Luzhou Laojiao and Gujing Gong Jiu – all of which produce Baijiu. Moutai ranks second in our top 50 spirits table with a brand value of \$4.48bn, an 8% uplift on last year's value, however growth of the company's brand value has slowed significantly, having achieved a 76% increase last year. Meanwhile Luzhou Laojiao suffered a 44% decline in brand value this year.

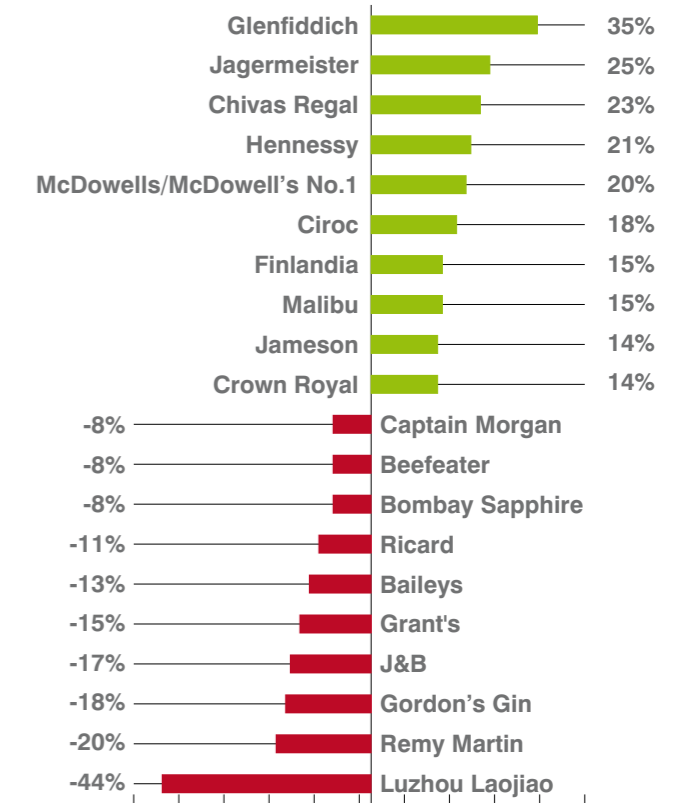
Sector Analysis – Drinks



Proportion of Total Brand Value by Spirit Type



Brand Value Change 2014-2015 (%)



Vodka

The market for vodka has grown slowly over the last year, appearing to lose some ground in the spirits industry as consumers switch to whisky. Smirnoff remains the biggest brand within the segment, despite losing 6% in brand value this year as a result of stagnant sales. The brand has been increasing its marketing expenditure, seeking a partnership with Spotify and launching a range of pre-mixed sorbet-flavour cocktail pouches. However, brands including Grey Goose, Cîroc, Belvedere, and to a certain extent, Absolut, have experienced gains in brand value as a result of increasing consumer preference for premium spirits.

AAA Brands

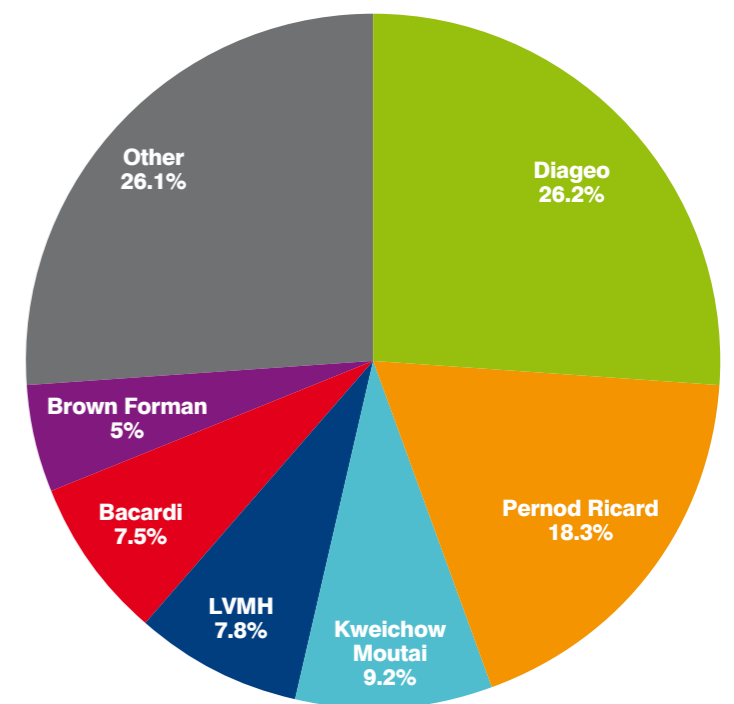
There are 9 brands in the table that have

achieved a brand rating of AAA- or better (i.e. a brand strength score higher than 80). Of particular interest are Kahlua, Bailey's and Ricard which have managed to achieve this status, despite stagnant sales over the last 5 years. The challenge for these brands is to convert the high levels of affinity that people have for these drinks into stronger financial performance

Another interesting case is that of Kweichow Moutai which has maintained its AAA- brand rating, demonstrating the immense popularity of the brand in its home market. However, given the slowdown that is currently being experienced in the China, breaking the international market may be the only route to financial sustainability. It remains to be seen whether the rest of the world will develop a taste for Baijiu or whether there is potential to extend the Kweichow Moutai brand into other categories.



Proportion of Total Brand Value by Company



Sector Analysis – Drinks

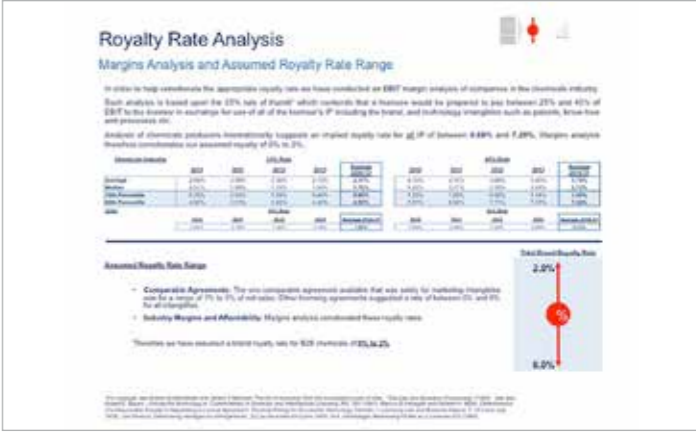
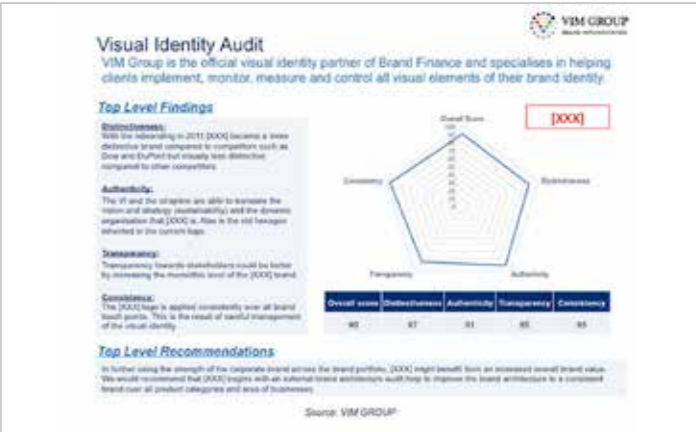
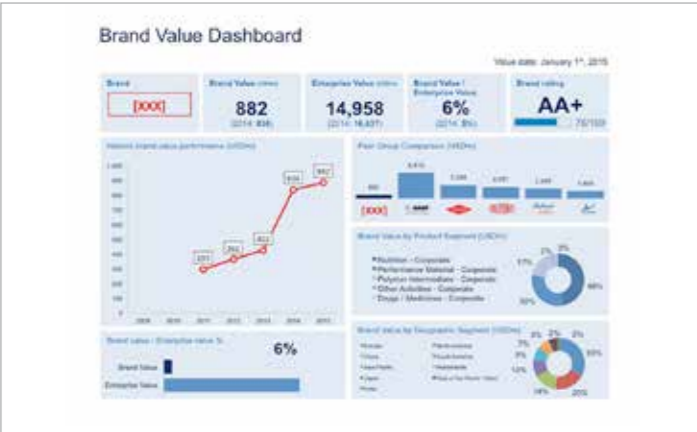
BRANDS BY VALUE



Top 50 most valuable brands 1-50.

Rank 2015	Rank 2014	Brand name	Domicile	Brand value (\$m) 2015	% change	Brand value (\$m) 2014	Brand rating 2015	Brand rating 2014
1	1	Johnnie Walker	Britain	5,603	13%	4,966	AAA	AAA
2	2	Kweichow Moutai	China	4,483	8%	4,165	AAA-	AAA-
3	3	Hennessy	France	3,379	21%	2,787	AA+	AA+
4	6	Chivas Regal	France	2,474	23%	2,019	AA+	AA+
5	4	Smirnoff	Britain	2,118	-6%	2,259	AAA-	AAA-
6	8	Jack Daniels	United States	1,946	9%	1,788	AAA-	AA+
7	5	Bacardi	United States	1,908	-6%	2,022	AA+	AA+
8	10	Absolut	France	1,764	9%	1,615	AA	AA+
9	7	Wuliangye	China	1,679	-6%	1,796	AA-	AA-
10		Yanghe	China	1,521			AA-	
11	11	Crown Royal	Britain	1,417	14%	1,240	AAA-	AAA-
12		Ruang Khao	Thailand	1,354			A+	
13	13	Grey Goose	United States	1,229	14%	1,077	AA+	AA
14	12	Baileys	Britain	1,025	-13%	1,178	AAA-	AAA-
15	9	Luzhou Laojiao	China	904	-44%	1,616	A+	AA-
16	14	Ricard	France	893	-11%	1,005	AAA-	AAA-
17	15	Ballantine's	France	850	-1%	858	AA+	AA+
18	19	McDowells/McDowell's No.1	India	752	20%	626	AA-	AA
19	18	Chamisul	South Korea	743	13%	659	AA+	AA+
20	21	Jameson	France	700	14%	612	AA	AA
21	25	Jagermeister	Germany	669	25%	533	AA-	AA-
22	16	Grant's	Britain	637	-15%	752	A+	A+
23	20	Jim Beam	United States	625	1%	619	AA	AA
24	26	Ciroc	Britain	609	18%	516	AA	AA
25	24	Havana Club	France	575	6%	544	AA	AAA-
26		Gujing Gong Jiu	China	554			A+	
27	17	Remy Martin	France	538	-20%	670	AA	AA
28		Jose Cuervo	Mexico	528			AA+	
29	23	Captain Morgan	Britain	512	-8%	554	AA+	AA+
30	27	Ketel One	Britain	467	4%	448	AA+	AA
31	34	Glenfiddich	Britain	462	35%	342	AA-	A+
32	29	Famous Grouse	Britain	456	7%	425	AA	AA+
33		Belvedere	France	437			AA+	
34	28	Buchanans	Britain	433	0%	431	AAA-	AAA-
35	33	Malibu	France	429	15%	375	AA	AA
36	31	Martell	France	356	-7%	385	AA	AA
37	36	Kahlua	France	342	8%	318	AAA-	AA+
38	35	Brugal	Britain	324	0%	323	AA	A+
39	30	Gordon's Gin	Britain	323	-18%	392	AA+	AA+
40	32	J&B	Britain	314	-17%	376	AA+	AA
41	41	The Glenlivet	France	311	13%	275	AA	AA
42		Maker's Mark	United States	282			AA+	
43	37	Beefeater	France	280	-8%	303	AA	AA+
44	38	Bombay Sapphire	United States	274	-8%	299	AA+	AA+
45		Courvoisier	United States	260			AA	
46	45	El Jimador	United States	251	0%	251	AA-	AA-
47	48	Finlandia	United States	247	15%	214	AA+	AA
48		Hong Thong	Thailand	247			A	
49	47	William Lawson's	United States	242	11%	219	AA	AA
50	50	Sauza	United States	233	11%	209	AA-	A+

Understand Your Brand's Value



A League Table 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.

A full report includes the following sections which can also be purchased individually.

Brand Valuation Summary

Overview of the brand valuation including executive summary, explanation of changes in brand value and historic and peer group comparisons.

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

Brand Strength Index

A breakdown of how the brand performed on various metrics of brand strength, benchmarked against competitor brands in a balanced scorecard framework.

- + Brand strength tracking
- + Brand strength analysis
- + Management KPI's
- + Competitor benchmarking

Royalty Rates

Analysis of competitor royalty rates, industry royalty rate ranges and margin analysis used to determine brand specific royalty rate.

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

Cost of Capital

A breakdown of the cost of capital calculation, including risk free rates, brand debt risk premiums and the cost of equity through CAPM.

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

Trademark Audit

Analysis of the current level of protection for the brands word marks and trademark iconography highlighting areas where the marks are in need of protection.

- + Highlight unprotected marks
- + Spot potential infringement
- + Trademark registration strategy

For more information regarding our League Table Reports, please contact:

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How we can help.



MARKETING

We help marketers to connect their brands to business performance by evaluating the financial impact of brand based decisions and strategies.

- + Brand Valuation
- + Brand Due Diligence
- + Profit Levers Analysis
- + Scenario Modelling
- + Market Research
- + Brand Identity & Customer Experience Audit
- + Brand Strength Analysis
- + Brand Equity Analysis
- + Perception Mapping
- + Conjoint & Brand/Price Trade-off Analysis
- + Return on Investment
- + Sponsorship Evaluation
- + Budget Setting
- + Brand Architecture & Portfolio Evaluation
- + Brand Positioning & Extension Evaluation
- + Brand Migration
- + Franchising & Licensing
- + BrandCo Strategy
- + Brand Governance Process
- + Brand Tracking
- + Management KPIs
- + Competitor Benchmarking



FINANCE

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

- + Brand & Branded Business Valuation
- + Intangible Asset Valuation
- + Fair Value Exercise (IFRS 3 / FAS 141)
- + Intangible Asset Impairment Reviews (IAS 36 / FAS 142)
- + Brand Due Diligence
- + Information Memoranda
- + Finance Raising
- + Insolvency & Administration
- + Market Research Design and Management
- + Return on Investment
- + Franchising & Licensing
- + BrandCo & IPCo Strategy
- + Scenario Modelling & Planning
- + Transfer Pricing Analysis
- + Management KPIs and Target-setting
- + Competitor Benchmarking



TAX

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

- + Brand & Branded Business Valuation
- + Intangible Asset Valuation
- + Patent Valuation
- + Asset Transfer Valuations
- + Business & Share Valuations
- + Transfer Pricing Analysis
- + Royalty Rate Setting
- + Brand Franchising & Licensing
- + BrandCo & IPCo Strategy
- + Market Research Design and Management
- + Brand Tracking
- + Expert Witness Opinion



LEGAL

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

- + Brand & Branded Business Valuation
- + Intangible Asset Valuation
- + Patent Valuation
- + Business & Share Valuations
- + Loss of Profits Calculations
- + Account of Profits Calculations
- + Damages Assessment
- + Forensic Accounting
- + Royalty Rate Setting
- + Brand Franchising & Licensing
- + BrandCo & IPCo Strategy
- + Market Research Design and Management
- + Trademark Registration
- + Trademark watching service

Brand Valuation

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

Brand Monitoring

Improve reporting and brand performance management by integrating market research, investment, market and financial metrics into a single insightful scorecard model to track performance and inform strategic decisions.



Brand Analytics

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allow an understanding of how brands create bottom-line impact.

Brand Strategy

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

Contact details.

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