

IT Services

15

2018

The annual report on the world's most valuable IT services brands

March 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:

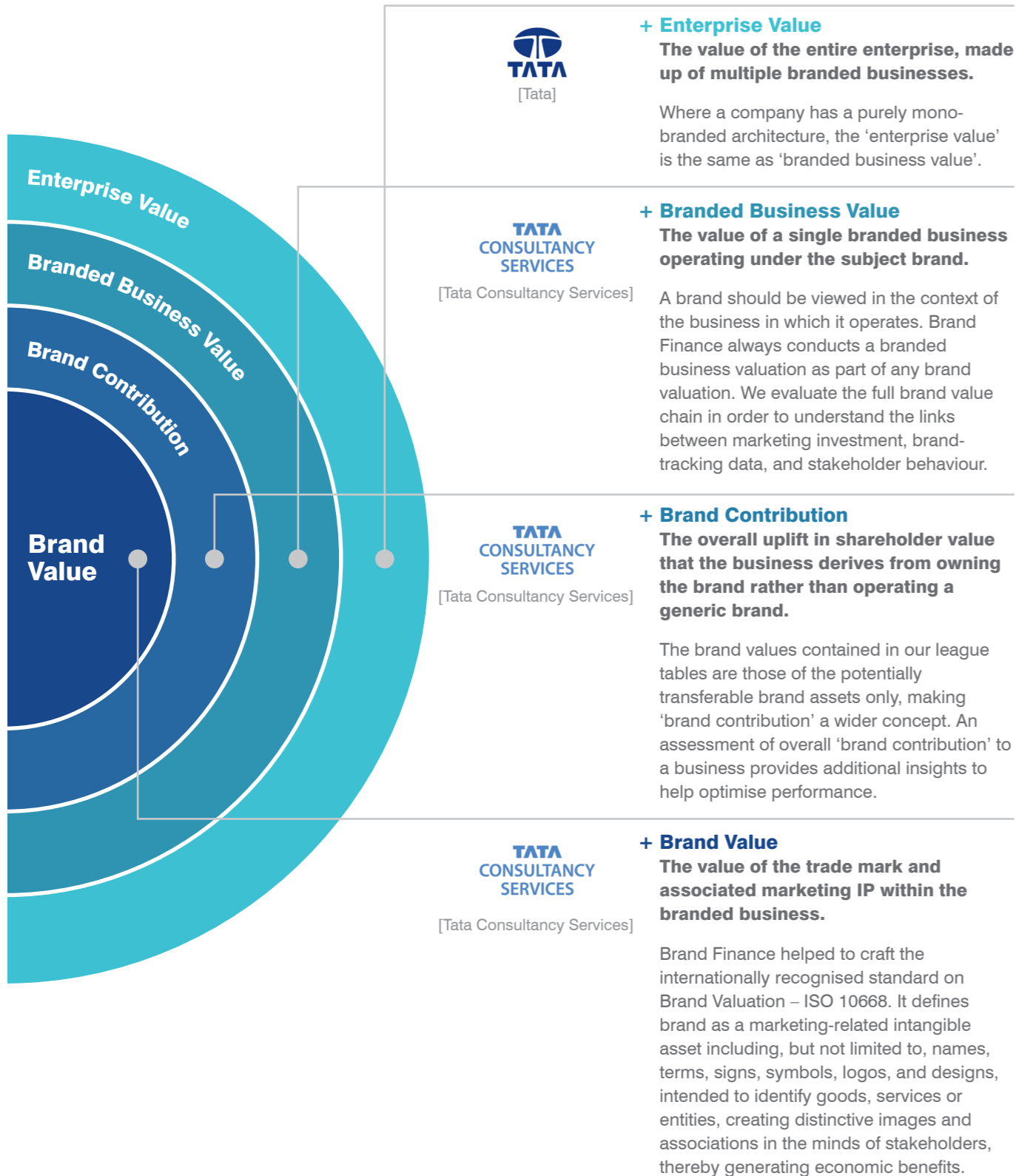
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Definitions.

Brand Value



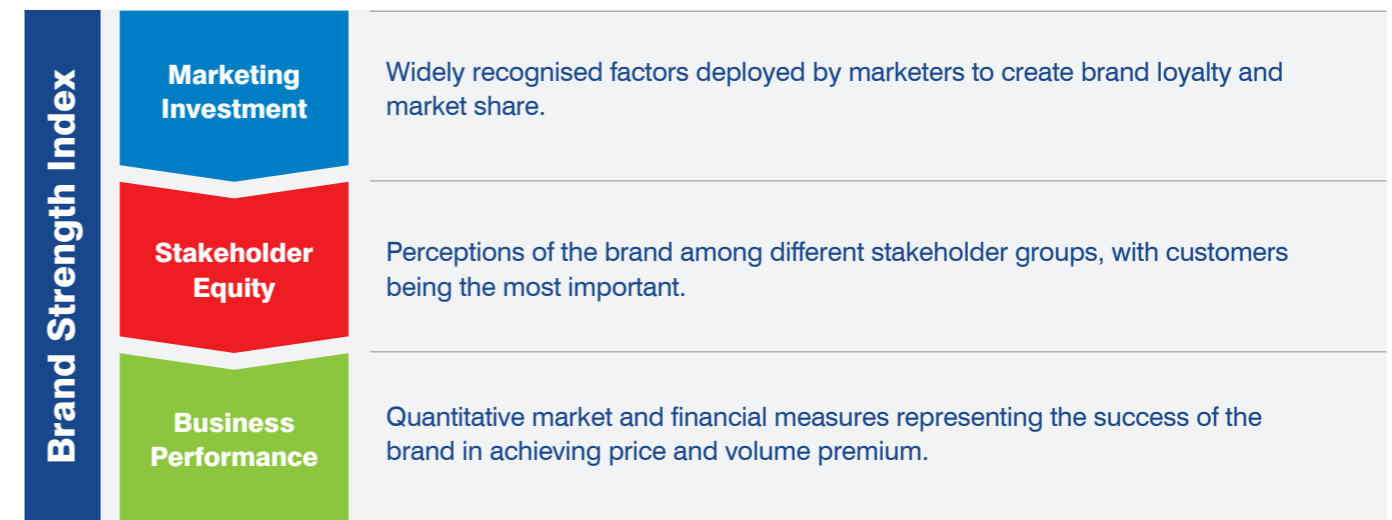
Brand Strength

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.



Executive Summary.



TCS Grows Fastest

Tata Consultancy Services (TCS) is the star of the IT Services sector this year, adding US\$1.3 billion of value to its brand, which is now worth \$10.4 billion. TCS's growth contrasts with stagnation in the sector, which saw the combined value of the 13 brands in both 2017 and 2018's rankings slip 1% to US\$94.4 billion.

TCS's digital services are driving the business, with a 40% increase in year-on-year revenues in the third quarter to December 2017. Digital services, including Cloud, Cybersecurity, IoT, Digital Interactive, Enterprise Intelligent Automation, Enterprise Application Services, Consulting & Service Integration and Cognitive Business Operations, saw more than 150 contract wins, including the division's first US\$50m-plus client. An additional 12,543 employees were recruited, taking the total to 390,880. Despite strong business performance, TCS's brand rating stayed at AA+.

TCS's 14% rise in brand value is in stark contrast to many of its peers, including Cognizant (-10%), Infosys (-3%), Fujitsu (-14%), Wipro (-7%), Hewlett Packard Enterprise (-65%) and Xerox (-33%), whose brands have either stagnated or lost value.

TCS has done a great job over the past 4-5 years shifting perceptions, positioning themselves as an international company at the forefront of technological developments, which is a fair reflection as that's where they generate the majority of revenues and where they are expanding.

Savio D'Souza
Director, Brand Finance

IBM Stays at #1

IBM retained its position as the IT Services sector's most valuable brand, with a 1% rise in brand value to US\$19.5 billion. IBM's brand rating improved two scores to AAA and its Brand Strength Index (BSI) was the highest in the sector by almost 10 points at 87.6. In 4Q2017 IBM broke a 22-quarter streak of declining revenues with 3.5% growth, though 2.5% of this was attributed to the weaker dollar and annual sales were down 1% at US\$79.1 billion.

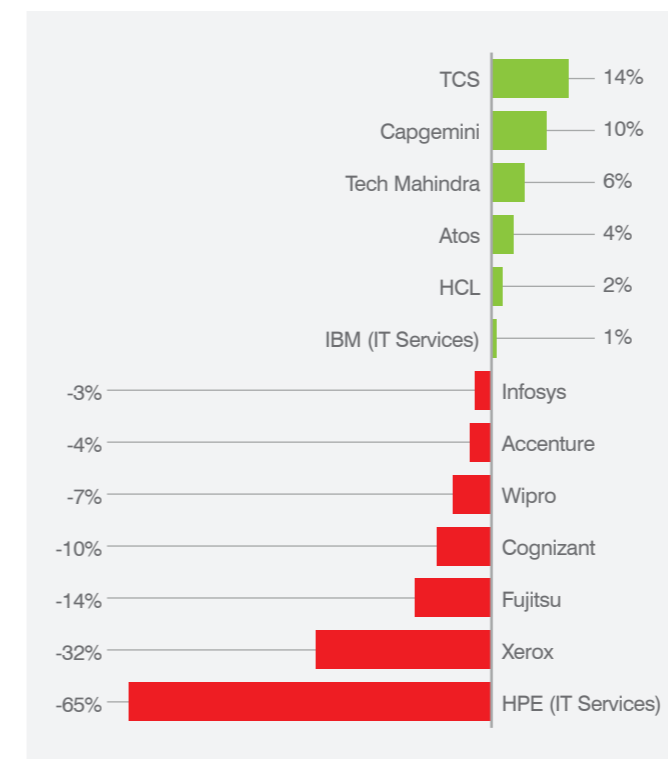
Accenture Well Positioned

Accenture, the sector's second most valuable brand, lost 4% of its brand value, which now stands at US\$16.8 billion. The fall is likely to be a blip for the consultancy, which has invested heavily in differentiating itself in digital, cloud, and security services, which now account for more than half of revenues. Of US\$10 billion of new bookings for 1Q2018, 59% were in consulting.

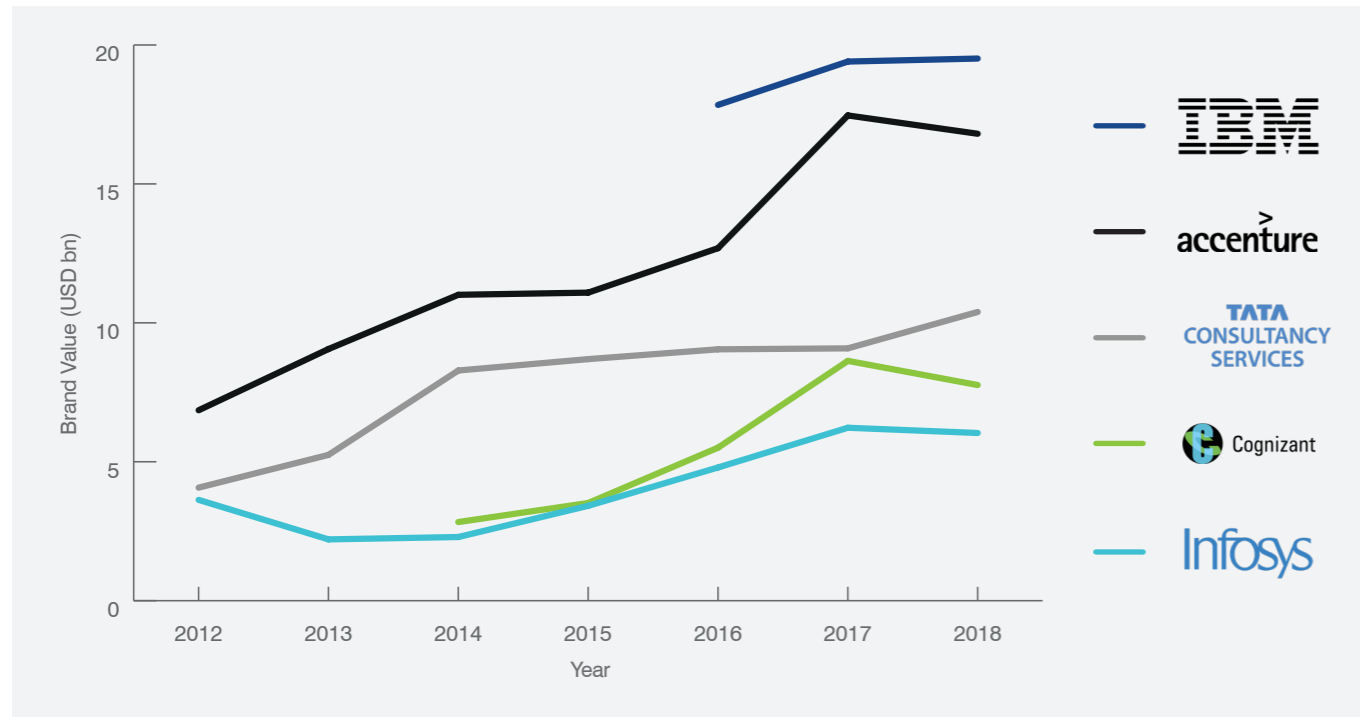
Top 10 Most Valuable Brands

| | | |
|--|-----------|--|
| | 1 | Rank 2018: 1 2017: 1 → BV 2018: \$19,512m BV 2017: \$19,404m +1% Brand Rating: AAA |
| | 2 | Rank 2018: 2 2017: 2 → BV 2018: \$16,805m BV 2017: \$17,464m -4% Brand Rating: AA+ |
| | 3 | Rank 2018: 3 2017: 3 → BV 2018: \$10,391m BV 2017: \$9,081m +14% Brand Rating: AA+ |
| | 4 | Rank 2018: 4 2017: 5 ↑ BV 2018: \$7,761m BV 2017: \$8,631m -10% Brand Rating: AA+ |
| | 5 | Rank 2018: 5 2017: 6 ↑ BV 2018: \$6,035m BV 2017: \$6,224m -3% Brand Rating: AA+ |
| | 6 | Rank 2018: 6 2017: New BV 2018: \$6,035m Brand Rating: A+ |
| | 7 | Rank 2018: 7 2017: 8 ↑ BV 2018: \$4,573m BV 2017: \$4,463m +2% Brand Rating: AA+ |
| | 8 | Rank 2018: 8 2017: 10 ↑ BV 2018: \$4,558m BV 2017: \$4,137m +10% Brand Rating: AA |
| | 9 | Rank 2018: 9 2017: 7 ↓ BV 2018: \$4,006m BV 2017: \$4,670m -14% Brand Rating: AA |
| | 10 | Rank 2018: 10 2017: 11 ↑ BV 2018: \$3,876m BV 2017: \$3,716m +4% Brand Rating: A+ |

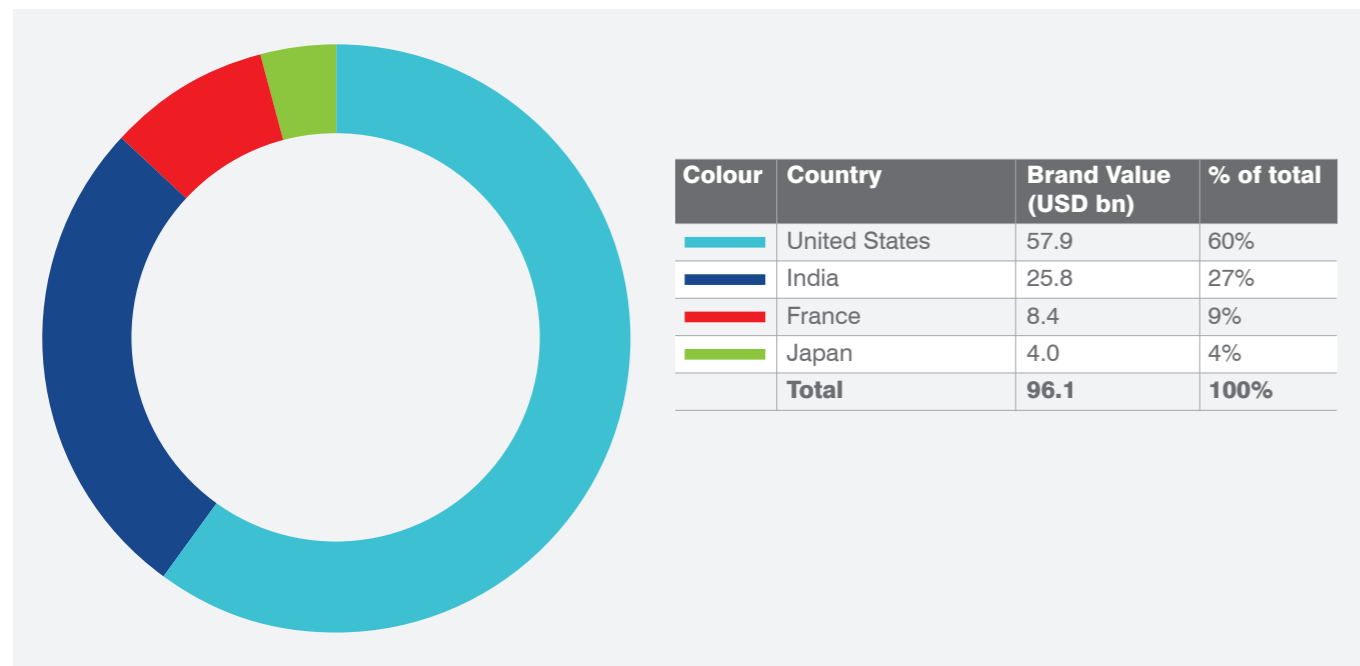
Brand Value Change 2017-2018 (%)



Brand Value Over Time



Brand Value by Country



Capgemini Captures New Business

Aside from TCS, Capgemini was the only company in the top 15 to achieve double-digit brand value growth, gaining 10% to US\$4.6 billion. Capgemini generated 30% of its €12.5 billion revenue from its new Digital & Cloud offer and has positioned itself well as understanding how to implement these key technologies.

Hewlett Packard Enterprise Plunges

Hewlett Packard Enterprise's woes continued, with brand value down 65% to US\$3.1 billion. The company plunged from 4th to 12th in the ranking. HPE was formed in November 2015, when Hewlett-Packard split the PC and printers business from the enterprise products and services business. In 2017, HPE spun off its enterprise services division as DXC Technology and its software business to Micro Focus, with DXC now treated as a separate brand with a brand value of US\$6.0 billion, a BSI of 64.0 and a lowly brand rating of A+.

Top 5 Strongest Brands

| | |
|--|--------------------------|
| | BSI Score 87.6 |
| | BSI Score 78.9 |
| | BSI Score 78.2 |
| | BSI Score 77.8 |
| | BSI Score 75.3 |

Top 15 most valuable brands

| Rank 2018 | Rank 2017 | Brand name | Country | Brand value (USD m) 2018 | % change | Brand value (USD m) 2017 | Brand rating 2018 | Brand rating 2017 |
|-----------|-----------|----------------|---------------|--------------------------|----------|--------------------------|-------------------|-------------------|
| 1 | 1 | IBM | United States | 19,512 | +1% | 19,404 | AAA | AA+ |
| 2 | 2 | Accenture | United States | 16,805 | -4% | 17,464 | AA+ | AA+ |
| 3 | 3 | TCS | India | 10,391 | +14% | 9,081 | AA+ | AA+ |
| 4 | 5 | Cognizant | United States | 7,761 | -10% | 8,631 | AA+ | AA+ |
| 5 | 6 | Infosys | India | 6,035 | -3% | 6,224 | AA+ | AA+ |
| 6 | New | DXC Technology | United States | 6,035 | - | - | A+ | - |
| 7 | 8 | HCL | India | 4,573 | +2% | 4,463 | AA+ | AA+ |
| 8 | 10 | Capgemini | France | 4,558 | +10% | 4,137 | AA | AA |
| 9 | 7 | Fujitsu | Japan | 4,006 | -14% | 4,670 | AA | AA |
| 10 | 11 | Atos | France | 3,876 | +4% | 3,716 | A+ | A+ |
| 11 | 12 | Wipro | India | 3,201 | -7% | 3,440 | AA+ | AA+ |
| 12 | 4 | HPE | United States | 3,068 | -65% | 8,670 | AA+ | AA+ |
| 13 | 9 | Xerox | United States | 2,943 | -32% | 4,359 | AA | AA |
| 14 | New | Sabre | United States | 1,769 | - | - | AA- | - |
| 15 | 14 | Tech Mahindra | India | 1,585 | +6% | 1,499 | AA- | AA- |

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.

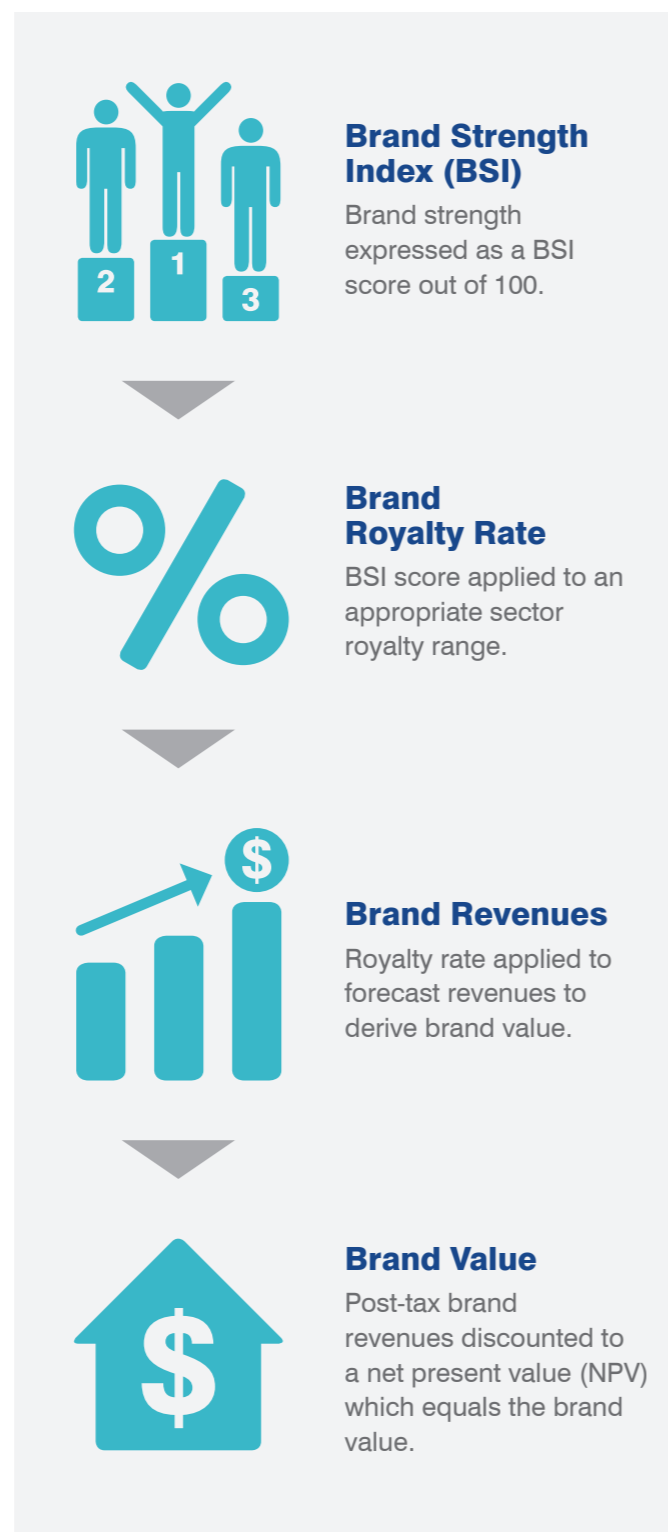
This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a 'brand value' understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

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
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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.

1. Valuation: What are my intangible assets worth?

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

- + Branded Business Valuation
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Contribution

2. Analytics: How can I improve marketing effectiveness?

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

- Market Research Analytics +
- Return on Marketing Investment +
- Brand Audits +
- Brand Scorecard Tracking +

3. Strategy: How can I increase the value of my branded business?

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.

- Brand Governance +
- Brand Architecture & Portfolio Management +
- Brand Transition +
- Brand Positioning & Extension +

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers, and owners of branded businesses get a better deal by leveraging the value of their intangibles.

- + M&A Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

MARKETING

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

FINANCE

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

TAX

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

LEGAL

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.

How we can help

Your Brand Value
Explain and discuss your brand's performance in more depth.

Press Release
Assist with the creation of a press release communicating your brand's success.

CEO Quote
Supply a quote in recognition of your brand's performance for you to use in external and internal communications.

Social Media
Coordinate with your social media activity to communicate your brand's success more effectively.

Awards
Produce an accolade plaque and hand-written certificates, personally signed by our CEO, to recognise your brand's performance.

Advertising
Allow full use of the Brand Finance logo on your ad designs and create a bespoke digital endorsement stamp for your website and investor relations use.

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.



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