Brand Finance®

Press Release: For Immediate Release

The World's Most Valuable Telecoms Brands Revealed

- **AT&T overtakes Verizon to become the world's most valuable telecoms brand**
- **Huawei the most valuable infrastructure brand, valued at US$25 billion**
- **Qualcomm's brand value surging thanks to huge royalty fees**
- **Nokia's brand revival continues with brand value up 62% following 3310 launch**

Every year, leading valuation and strategy consultancy Brand Finance values the brands of thousands of the world's biggest companies. Brands are first evaluated to determine their power / strength (based on factors such as marketing investment, familiarity, loyalty, staff satisfaction and corporate reputation) and given a corresponding letter grade up to AAA+. Brand strength is used to determine what proportion of a business's revenue is contributed by the brand, which is projected into perpetuity to determine the brand's value. The world's 500 most valuable telecoms brands are then ranked and included in the Brand Finance Telecom 500 and the top ten infrastructure providers in the Telecoms Infrastructure 10.

AT&T saw its brand value grow 45% this year to US$87 billion, overtaking Verizon as the most valuable telecoms brand. Its acquisitive growth in South America and Mexico follows its 2015 takeover of DirecTV, resulting in continued growth in brand value and an increase in market share.

Verizon, though it has lost its position at the top of the table, remains strong, registering a 2 point BSI score improvement and 4% brand value growth. A spate of rumours has surrounded Verizon's potential takeover of Charter Communications. Such a deal would create the US' biggest internet provider and is yet another example of the consolidation affecting the industry. Verizon's share price jumped as the speculation continued though has since cooled after the deal failed to materialise and concerns were raised at the levels of debt the new entity would be exposed to. A new Charter/Verizon combined entity would reportedly be the world's largest debtor, with borrowings of over US$200 billion.

T (Deutsche Telekom) is Europe's most valuable telecoms brand, though its growth is largely being driven by its performance outside the continent. The 10% increase in brand value came largely as a result of higher revenues and increased market share in the U.S. market. In the third quarter of 2016 T-Mobile (US) added around 969,000 subscribers, dwarfing both Verizon and A&T which added only 200,000 and 450,000 respectively.

Huawei retains the top spot in the infrastructure table with a brand value of US$25 billion after growing 28%. The Chinese giant persevered with its efforts to raise its brand profile worldwide. After successfully implementing global marketing campaigns, which include celebrity endorsements, its brand recognition subsequently increased to 81% in 2016, up from 76% in 2015.

Qualcomm is the fastest growing telecoms infrastructure brand, rising 65% in value to US$6.8 billion. However, legal disputes with Apple regarding allegations that Qualcomm is exploiting its dominant position by charging excessive royalties raise questions about whether this growth can be sustained.

Nokia is one of the more remarkable success stories of 2017. Its brand value peaked at US$33.1 billion in 2008, making it the world's 9th most valuable brand across all sectors. Its slow response to the emergence of smart phone technology led to a well-documented decline at the hands of Apple and Samsung. Brand Value sunk to a low of just of US$2 billion in 2014.

However, after a period of consolidation, Nokia is firmly on the road to recovery. After the mobile device division was sold off, the brand survived as Nokia Networks (rebranded from NSN). Nokia Networks acquired a controlling stake in Alcatel-Lucent in 2016 to create one of the largest players in the sector. Alcatel-Lucent has since been rebranded as Nokia, further reinforcing the position of the Finnish brand.

2017 marks another turning point in the Scandinavian giant's saga, as the Nokia brand is once again be visible on mobile devices. HMD (founded by Nokia veterans in 2016) is launching a number of handsets at Mobile World Congress. Perhaps the greatest level of excitement is focussed on the revival of the iconic 3310. This newfound momentum sees Nokia's brand value climb 62% to US$4.9 billion while the fundamental brand equity measures are improving too, which sees Nokia's brand strength rating upgraded from AA to AA+.

ENDS

Note to Editors

Brand values are reported in USD. For precise conversions into local currency values, please confirm rates with the Brand Finance team. More information about the methodology, as well as definitions of key terms are available in the Brand Finance Telecoms 500 report document.

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About Brand Finance

Brand Finance is the world's leading brand valuation and strategy consultancy, with offices in over 15 countries. We provide clarity to marketers, brand owners and investors by quantifying the financial value of brands. Drawing on expertise in strategy, branding, market research, visual identity, finance, tax and intellectual property, Brand Finance helps clients make the right decisions to maximise brand and business value and bridges the gap between marketing and finance.

Methodology

Definition of Brand

When looking at brands as business assets that can be bought, sold and licensed, a 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."

However, a brand makes a contribution to a company beyond that which can be sold to a third party. 'Brand Contribution' refers to the total economic benefit that a business derives from its brand, from volume and price premiums over generic products to cost savings over less well-branded competitors.

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.

Approach

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 emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index, and is calculated using brand data from the BrandAsset® Valuator database, the world's largest database of brands, which measures brand equity, consideration and emotional imagery attributes to assess brand personality in a category agnostic manner.

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 4%.

4 Determine brand specific revenues estimating a proportion of parent company revenues attributable to a 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.