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Press Release – For Immediate Release

Lego Brand Value Grows 68% in a Year

- **Lego, Denmark's most valuable brand, grows 68% to US$7.6 billion**
- **Pandora's value is up 42% to US$2.9 billion due to increasing global reach**
- **Danish brands grow by an average of 26%, ahead of the global figure of 11%**

Every year, leading valuation and strategy consultancy Brand Finance values the brands of thousands of the world's biggest companies. A brand's strength is assessed (based on factors such as marketing investment, familiarity, preference, sustainability and margins) to determine what proportion of a business's revenue is contributed by the brand. This is projected into perpetuity and discounted to determine the brand's value. The 50 most valuable Danish brands are included in the Brand Finance Denmark 50 league table.

Lego tops the table with a brand value of US$7.6billion, up 68% year on year. Lego is also the strongest brand, not just in Denmark, but globally. Lego scores highly on a wide variety of BSI metrics such as familiarity, loyalty, promotion, marketing investment, staff satisfaction and corporate reputation. The building blocks for Lego's brand strength have always been present, however in the last few years this strength has been enhanced through a combination of strategic partnerships and licensing deals.

The Lego Movie in 2014 and the Lego Batman Movie last year were both critical and commercial successes, providing not just immediate revenue but also an unrivalled marketing tool. Further releases are planned for the next few years, which will continue to build the brand whilst contributing significantly to Lego's already vast licensing income. Video game partnerships have had a similar effect. The combination of Lego and Star Wars in particular has been irresistible to the public.

Geographic expansion has also provided Lego with many opportunities for growth. Lego opened its first factory in Jiaxing, China, in 2014, as well as a new Asian Head Office in Shanghai. China does present risks; Lego cannot rely on the nostalgia or awareness it has enjoyed in Europe and the US for decades, making success there uncertain. However, domestic scandals over the safety of children's products leave fertile ground for a foreign firm with a reputation for reliability, quality and child development.

Though Lego will always draw its strength from the simplicity of its tangible products, it is also responding to the digital era. Lego Boost, set to launch in August, allows children to turn Lego creations into programmable robots using a smartphone app. Meanwhile Lego Life enables kids to post pictures of their proudest creations or imagine new ones, making Lego a profoundly social and personal experience.

Arla is 2nd, with a brand value of US$3.7billion. The dairy industry is experiencing severe overproduction, lowering prices and squeezing margins. The differentiating power of brand is therefore more critical than ever. Arla is working hard to leverage its brand and to reinforce it. Several campaigns have been launched recently in both the UK and US. Its UK campaign invited people to 'Eat Monday for Breakfast', promoting the idea that Arla products help people start their week with energy, enthusiasm and ambition rather than the usual resignation and dread. US$30 million has been invested in the 'Live Unprocessed' campaign to position the brand as a champion of natural, healthy eating, in contrast to competitors such as Kraft. Children were asked to imagine what processed food ingredients 'rBST', 'Xanthan' and 'Sorcic Acid' look like. The response was to portray them as monsters or aliens. Their ideas were turned into animations to emphasise their apparent ghoulishness.

Pandora remains in 5th place with a 42% increase in brand value to US$2.9billion. The UK and the US are currently its two largest markets but Pandora is achieving rapid global expansion. It opened its first store in India and has also targeted China, having set up an e-commerce site and storefront on Tmall (a Wechat rival), targeting a younger demographic than its average western customer.

Per Aarsleff has had the largest fall in brand value, dropping 38% to US$162million. Operating profits are lower than expected and shares have fallen 10% due to delayed or allegedly, poorly executed projects. However, things could improve in the coming year or two, with multimillion projects from Banedanmark to be completed in 2019.

View the Brand Finance Denmark 50 report here

ENDS

Note to Editors

For more definitions of key terms, methodology and more stories, please consult the Brand Finance Denmark 50 report document.

Brand values are reported in USD. For conversions into local currency, please consult the hover over the 'i' button on the web version of the table and select.

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About Brand Finance

Brand Finance is the world's leading brand valuation and strategy consultancy, with offices in over 25 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.