CME is the World's Most Valuable Stock Exchange Brand

- **The CME is the most valuable stock exchange brand with a value of US$1.7 billion**
- **The NYSE is second in terms of brand value, but is the most powerful brand**
- **SGX anticipates further benefits from the Baltic Exchange transaction**

For the first time, the brand values of the world's biggest exchanges have been calculated and ranked, showing the often overlooked role that brands can play in the world's financial markets. The list has been created by leading valuation and strategy consultancy Brand Finance, which evaluates thousands of brands from all industries every year. The most valuable exchange brands can be found in the Brand Finance Exchanges 20.

One quarter of the brands in the table are United States-based, though with a combined value of US$4.7 billion, they make up nearly half the total value of the top 20 (US$9.7 billion). The United Kingdom and Germany are home to three exchange brands each, with total values of US$991 million and US$983 million, respectively.

CME is the most valuable and fastest growing exchange brand, its value increasing 32% to US$1.7 billion. This is largely due to the impressive year on year growth in four of its six product lines. Furthermore, CME has boosted efforts to expand its core exchange business via strategic alliances and acquisitions, new product initiatives and increased global presence. The second most valuable is the NYSE with a value of US$1.3 billion. With an AAA rating, it is also the most *powerful* exchange brand, its status boosted by the recent acquisition of Interactive Data Corp (IDC), allowing NYSE to offer pricing data on corporate bonds.

The HKEx is the third most valuable exchange brand. The 11% dip in value to US$1.1 billion is partially due to the decline across all major revenue drivers. As a result of the weakening Chinese economy, HKEx's equities experienced a decrease, negatively affecting brand value. In contrast, the only other East Asian brand in the table, the SGX, rose 21% to a value of US$380 million, making it the second fastest growing brand this year. In 2015, it was named the Global Exchange of the Year for the first time. SGX's forthcoming acquisition of the Baltic Exchange is intended to position Singapore as a hub for shipping finance. Despite the recent slump in shipping due to oversupply and falling commodity prices, we can expect the brand value of SGX to rise again next year.

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Media Contacts

Savio D'Souza, Associate Director
T: +44 (0)2073899400 M+44 (0)7545160204 s.dsouza@brandfinance.com

Robert Haigh, Communications Director
T: +44 (0)2073899400 M: +44 (0)7762211167 r.haigh@brandfinance.com

Joslyn Pannu, Communications Manager
T: +44 (0)2073899400 M: +44 (0)7885666236 j.pannu@brandfinance.com

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Note to Editors

2016 brand values are calculated in USD with a valuation date of 1/1/16.

About Brand Finance plc

Brand Finance plc is the world's leading branded business valuation and strategy consultancy, with offices in over 30 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

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."

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.

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.