



Pharma 10 2019

The annual report on the most valuable and strongest pharma brands
February 2019

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 | + Transparency |
| + Technical Credibility | + Expertise |

We put thousands of the world's biggest brands to the test every year, evaluating which are the strongest and most valuable.

Brand Finance helped craft the internationally recognised standard on Brand Valuation – ISO 10668, and the recently approved standard on Brand Evaluation – ISO 20671.



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Brand Finance®
Global Forum 2019

Understanding the Value of Geographic Branding
2 April 2019

Join us at the Brand Finance Global Forum, an action-packed day-long event at the Royal Automobile Club in London, as we explore how geographic branding can impact brand value, attract customers, and influence key stakeholders.

www.brandfinance.com/events

Request Your Brand Value Report.

A Brand Value Report provides a complete breakdown of the assumptions, data sources, and calculations used to arrive at your brand's value.

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

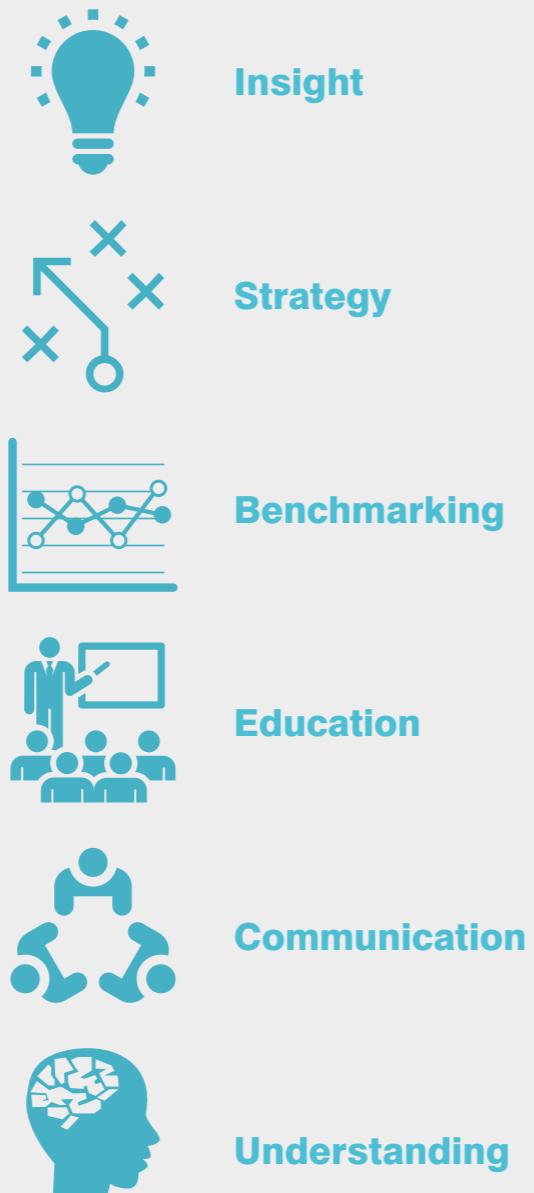
- | | |
|-------------|-------------|
| + Utilities | + Tech |
| + Insurance | + Auto |
| + Banks | + Hotels |
| + Telecoms | + Beers |
| + Airlines | + Oil & Gas |

For more information regarding our Brand Value Reports, please contact:

enquiries@brandfinance.com

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 are the benefits of a Brand Value Report?



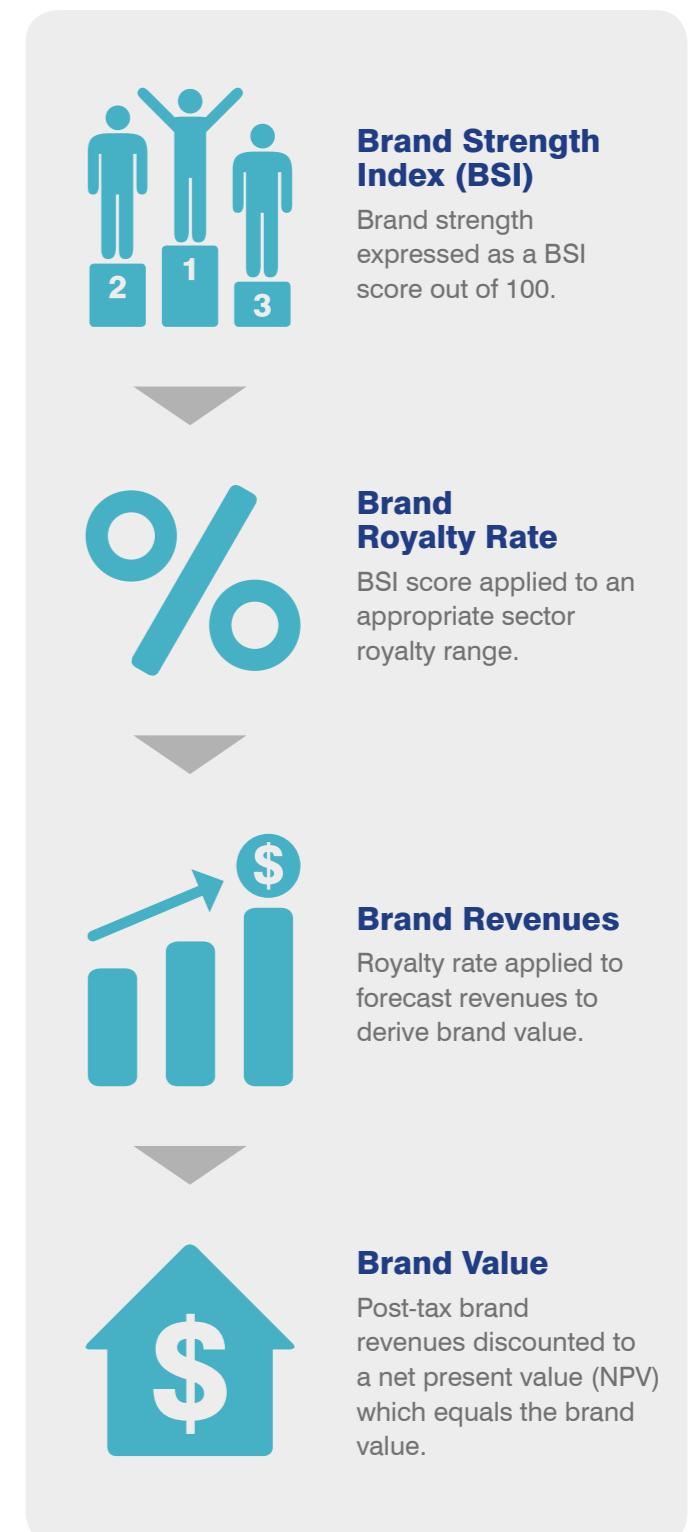
Brand Valuation Methodology.

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.

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.

Roche Defends Healthy Lead as World's Most Valuable Pharma Brand.

- Roche maintains top spot in brand ranking, following 8% growth to US\$6.9 billion
- Merck's brand bounces back from last year's struggles, growing 29% to US\$4.1 billion and jumping into the top 5
- Bayer is world's strongest pharmaceutical brand with AAA- rating, improving score despite association with Monsanto

Executive Summary.



Roche retains healthy lead

Roche has defended the title of the world's most valuable pharmaceutical brand, as its brand value increased 8% to US\$6.9 billion. Roche was able to stay ahead of second-ranked Bayer (brand value up 11% to US\$6.2 billion) although the gap between the two has narrowed slightly.

Roche's brand value increase was driven by strong performance in the United States, where it benefited from a 14% growth in sales. Elsewhere, results were not so strong, particularly in Japan (sales steady) and Europe (sales down 8%), where Roche is challenged by generic drugs undercutting sales.

Merck makes speedy recovery

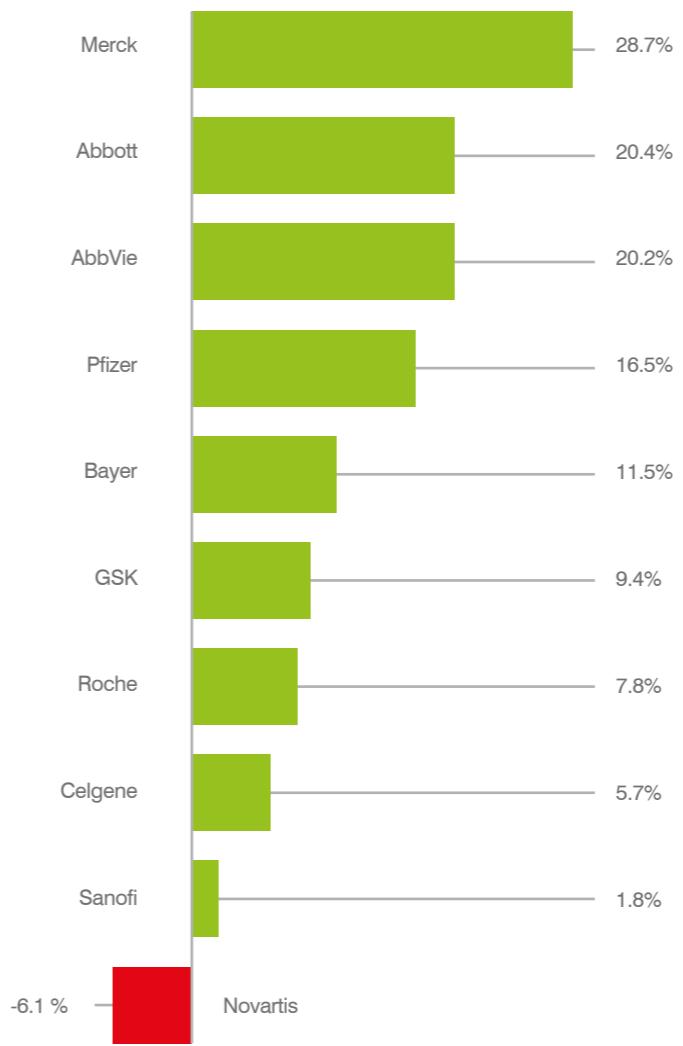
Merck (brand value up 29% to US\$4.1 billion) is the year's biggest mover, with the brand achieving the fastest growth amongst the industry's top ten. Merck has jumped two places in the rankings, overtaking both Sanofi (brand value up 2% to \$3.4 billion) and Novartis, to enter into the top 5.

Merck's brand value bounced back strongly after it saw a decline last year, following a cyber-attack in June 2017 which both undermined customer confidence and reduced production of Gardasil 9 drugs. The resilience of the company in the face of challenging circumstances and ability to rebound strongly is testament to the strength of the brand.

Roche remains the most valuable pharmaceutical brand as a result of its continued investment in world-leading drug development. While it will always face challenges from generic competitors, the purchase of Foundation Medicine in 2018 is a great opportunity to enable Roche to leverage its brand by deploying its personalised healthcare strategy. Roche is in a strong position to lead the industry in genomic profiling to develop new cancer treatments and improve patient care.

David Haigh
CEO, Brand Finance

Brand Value Change 2018-2019 (%)



Top 10 Most Valuable Brands

1	← 1		Roche	
			2019: \$6,914m	+7.8%
			2018: \$6,413m	
2	← 2		BAYER	
			2019: \$6,209m	+11.5%
			2018: \$5,571m	
3	← 3		Pfizer	
			2019: \$4,776m	+16.5%
			2018: \$4,098m	
4	← 4		Abbott	
			2019: \$4,455m	+20.4%
			2018: \$3,700m	
5	↑ 7		MERCK	
			2019: \$4,141m	+28.7%
			2018: \$3,217m	
6	← 6		SANOFI	
			2019: \$3,384m	+1.8%
			2018: \$3,323m	
7	↓ 5		NOVARTIS	
			2019: \$3,362m	-6.1%
			2018: \$3,580m	
8	← 8		Celgene	
			2019: \$3,310m	+5.7%
			2018: \$3,133m	
9	← 9		gsk	
			2019: \$3,286m	+9.4%
			2018: \$3,004m	
10	- NEW		abbvie	
			2019: \$2,985m	+20.2%
			2018: \$2,483m	

Top 5 Strongest Brands

1 ← 1

2019: 83.1 AAA- +1.8
2018: 81.2 AAA-



2 ← 2

2019: 77.4 AA+ -0.8
2018: 78.2 AA+



3 ← 3

2019: 75.8 AA+ -0.2
2018: 76.0 AA+



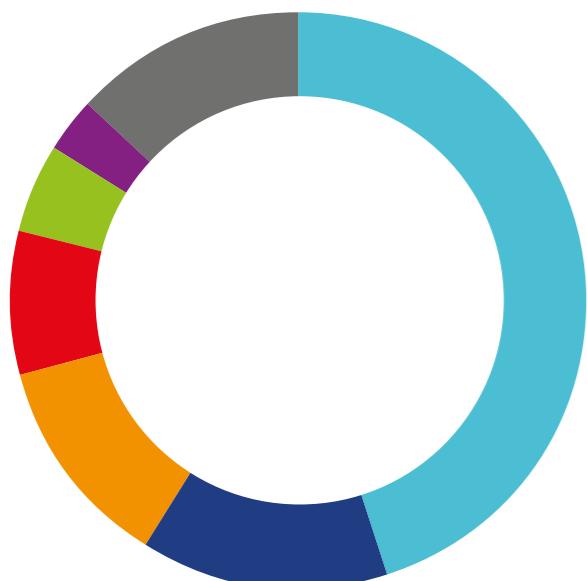
4 ← 4

2019: 75.5 AA+ +0.5
2018: 75.0 AA+



5 ↑ 7

2019: 72.8 AA -2.7
2018: 75.5 AA+

Brand Value by Country**Bayer strengthens despite association with Monsanto**

Bayer has maintained its position as the world's strongest pharmaceutical brand and is the only brand in the industry to post a AAA- rating. Bayer's Brand Strength Index (BSI) score improved to 83.1 from 81.2 out of 100 over the past year, despite the brand's latest association with Monsanto – a new acquisition by Bayer's chemical business.

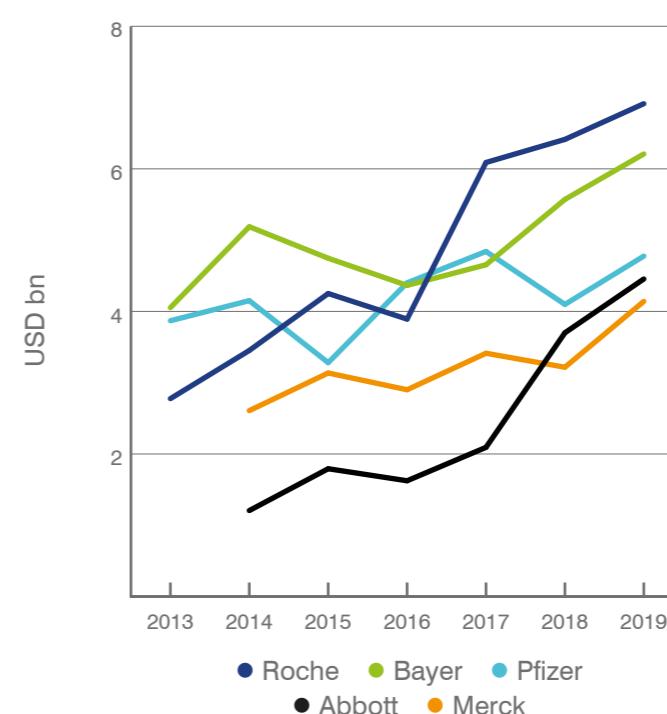
The Monsanto brand has fallen from favour after long-term mainstream criticism based on health concerns over its products, such as Roundup, and their influence on the food industry and the environment. Bayer is planning to retain the various names of individual products but terminate the overarching Monsanto brand, whose reputation is proving problematic for the future of Bayer's business.

The questions concerning the treatment of a changing brand portfolio are not just pertinent to Bayer. The transfer of the consumer healthcare business of GSK from a Novartis joint venture last year, into a new deal with Pfizer, and eventually into a separate business within three years, is a symptom of an industry where rising costs of development pipelines

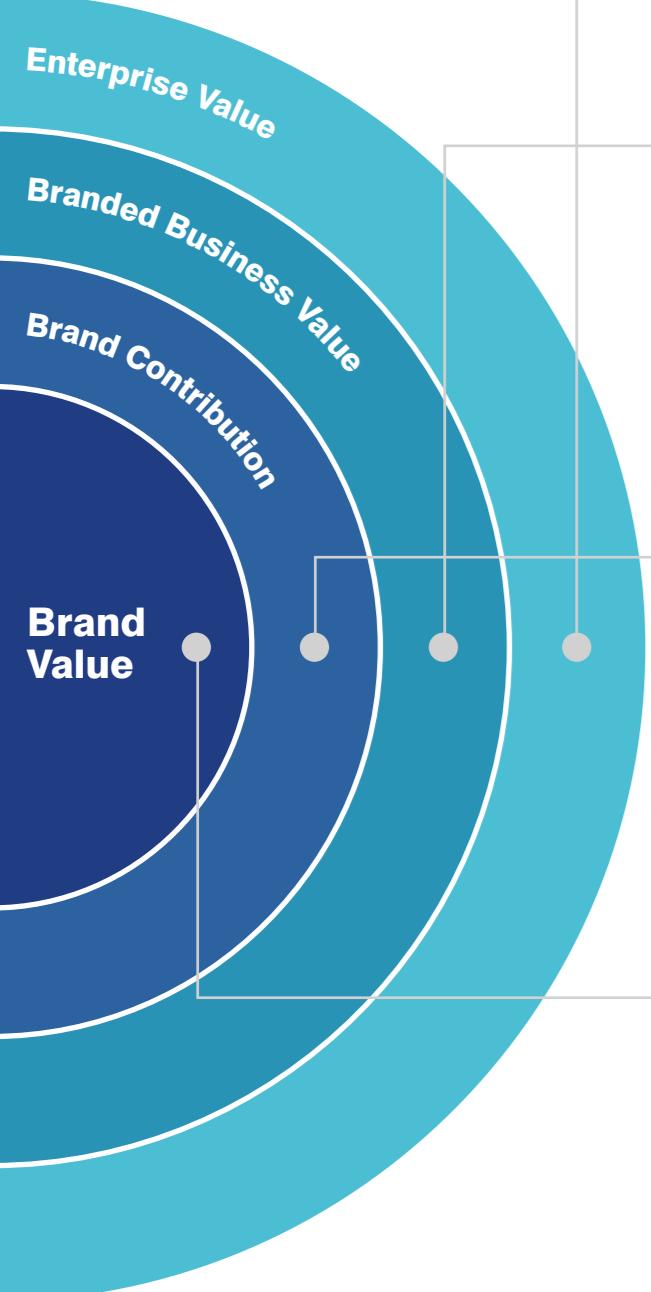
have caused a lot of businesses to experiment with acquisition and divestment. This can create confusion among customers, doctors, pharmacists, and other stakeholders, and presents new challenges for brand managers regarding positioning and strategy.

Bayer is the world's strongest pharmaceutical brand because it has been able to strategically protect its reputation from various contentious public and political issues. It is no different with the acquisition of Monsanto, where the leadership are clearly taking the right steps to reinforce stakeholder trust.

David Haigh
CEO, Brand Finance

**Brand Value over Time**

Definitions.



Brand Value



[Novartis]

+ Enterprise Value

The value of the entire enterprise, made up of multiple branded businesses.

Where a company has a purely mono-branded architecture, the 'enterprise value' is the same as 'branded business value'.



[Alcon]

+ Branded Business Value

The value of a single branded business operating under the subject brand.

A brand should be viewed in the context of the business in which it operates. Brand Finance always conducts a branded business valuation as part of any brand valuation. We evaluate the full brand value chain in order to understand the links between marketing investment, brand-tracking data, and stakeholder behaviour.



[Alcon]

+ Brand Contribution

The overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

The brand values contained in our league tables are those of the potentially transferable brand assets only, making 'brand contribution' a wider concept. An assessment of overall 'brand contribution' to a business provides additional insights to help optimise performance.



[Alcon]

+ Brand Value

The value of the trade mark and associated marketing IP within the branded business.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation – ISO 10668. It defines brand as a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos, and designs, intended to identify goods, services or entities, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits.

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.

Brand Strength Index



Widely recognised factors deployed by marketers to create brand loyalty and market share.

Perceptions of the brand among different stakeholder groups, with customers being the most important.

Quantitative market and financial measures representing the success of the brand in achieving price and volume premium.

Marketing Investment

- A brand that has high Marketing Investment but low Stakeholder Equity may be on a path to growth. This high investment is likely to lead to future performance in Stakeholder Equity which would in turn lead to better Business Performance in the future.
- However, high Marketing Investment over an extended period with little improvement in Stakeholder Equity would imply that the brand is unable to shape customers' preference.

Stakeholder Equity

- The same is true for Stakeholder Equity. If a company has high Stakeholder Equity, it is likely that Business Performance will improve in the future.
- However, if the brand's poor Business Performance persists, it would suggest that the brand is inefficient compared to its competitors in transferring stakeholder sentiment to a volume or price premium.

Business Performance

- Finally, if a brand has a strong Business Performance but scores poorly on Stakeholder Equity, it would imply that, in the future, the brand's ability to drive value will diminish.
- However, if it is able to sustain these higher outputs, it shows that the brand is particularly efficient at creating value from sentiment compared to its competitors.

Consulting Services.



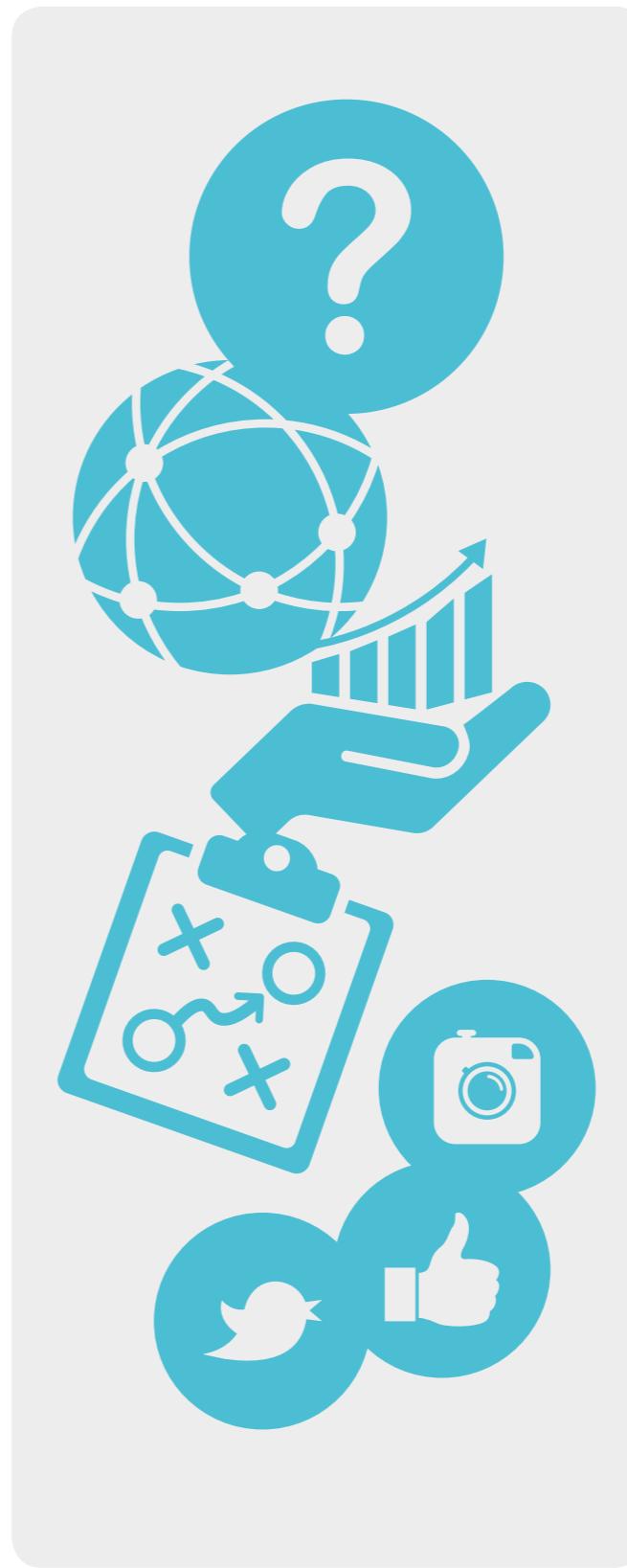
We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.

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

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

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

Brand Evaluation Services.



How are brands perceived in my category?

Brand Finance tracks brand fame and perceptions across over 30 markets in 10 consumer categories. Clear, insightful signals of brand performance, with data mining options for those who want to dig deeper – all at an accessible price.

What if I need more depth or coverage of a more specialised sector?

Our bespoke brand scorecards help with market planning and can be designed to track multiple brands over time, against competitors, between market segments and against budgets. Our 30-country database of brand KPIs enables us to benchmark performance appropriately.

Do I have the right brand architecture or strategy in place?

Research is conducted in addition to strategic analysis to provide a robust understanding of the current positioning. The effectiveness of alternative architectures is tested through drivers analysis, to determine which option(s) will stimulate the most favourable customer behaviour and financial results.

How can I improve return on marketing investment?

Using sophisticated analytics, we have a proven track record of developing comprehensive brand scorecard and brand investment frameworks to improve return on marketing investment.

What about the social dimension? Does my brand get talked about?

Social interactions have a proven commercial impact on brands. We measure actual brand conversation and advocacy, both real-world word of mouth and online buzz and sentiment, by combining traditional survey measures with best-in-class social listening.

Communications Services.

How we can help communicate your brand's performance in brand value rankings



Brand Accolade – create a digital endorsement stamp for use in marketing materials, communications, annual reports, social media and website. Advertising use subject to terms and conditions.



TOP 10
PHARMA
BRAND



MOST VALUABLE
PHARMA
BRAND



STRONGEST
PHARMA
BRAND



Video Endorsement – record video with Brand Finance CEO or Director speaking about the performance of your brand, for use in both internal and external communications.



Bespoke Events – organise an award ceremony or celebratory event, coordinate event opportunities and spearhead communications to make the most of them.



Digital Infographics – design infographics visualising your brand's performance for use across social media platforms.



Trophies & Certificates – provide a trophy and/or hand-written certificate personally signed by Brand Finance CEO to recognise your brand's performance.



Sponsored Content – publish contributed articles, advertorials, and interviews with your brand leader in the relevant Brand Finance report offered to the press.



Media Support – provide editorial support in reviewing or copywriting your press release, pitching your content to top journalists, and monitoring media coverage.

Brand Dialogue®



Value-Based Communications

With strategic planning and creative thinking, we develop communications plans to create dialogue with stakeholders that drives brand value. Our approach is integrated, employing tailored solutions for our clients across PR, marketing and social media.

SERVICES

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- Integrated Communications Planning
- Project Management and Campaign Execution
- Content and Channel Strategy
- Communications Workshops

For more information, contact enquiries@brand-dialogue.co.uk or visit www.brand-dialogue.co.uk

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