

The Economic Impact of Corporate Reputation in Brazil

The 2017 Reputation Value Report



November 2017

The annual study of corporate reputation in Brazil

Now in its third year, the Reputation Value Report sits alongside studies of the leading companies in the UK and USA

Analysis is focussed on Brazil's largest listed companies as present in the Ibovespa index

Measurements and values are benchmarked as at October 2017

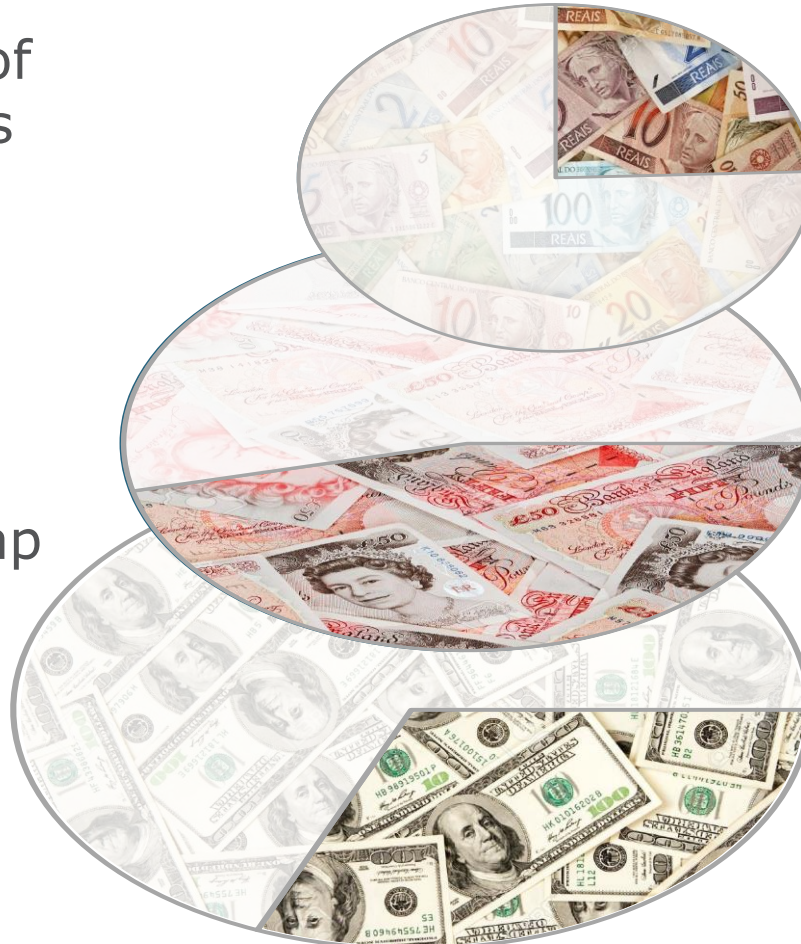
The study is produced in association with MZ Group, Sao Paulo, Brazil



Brazil's corporates, in context

As at October 2017,
the combined value of
corporate reputations
in Brazil's Ibovespa
stood at USD202bn,
24% of the total
market capitalisation

...that compares well
to the 31% of mkt cap
in the US's S&P 500
and 46% in the UK's
FTSE 100 index of
mainly globally
operating companies



Brazil

Gross mkt cap.
USD828bn
Contribution 24.4%
Rep value USD202bn

UK

Gross mkt cap.
USD2,887bn
Contribution 46.3%
Rep value USD1,336bn

USA

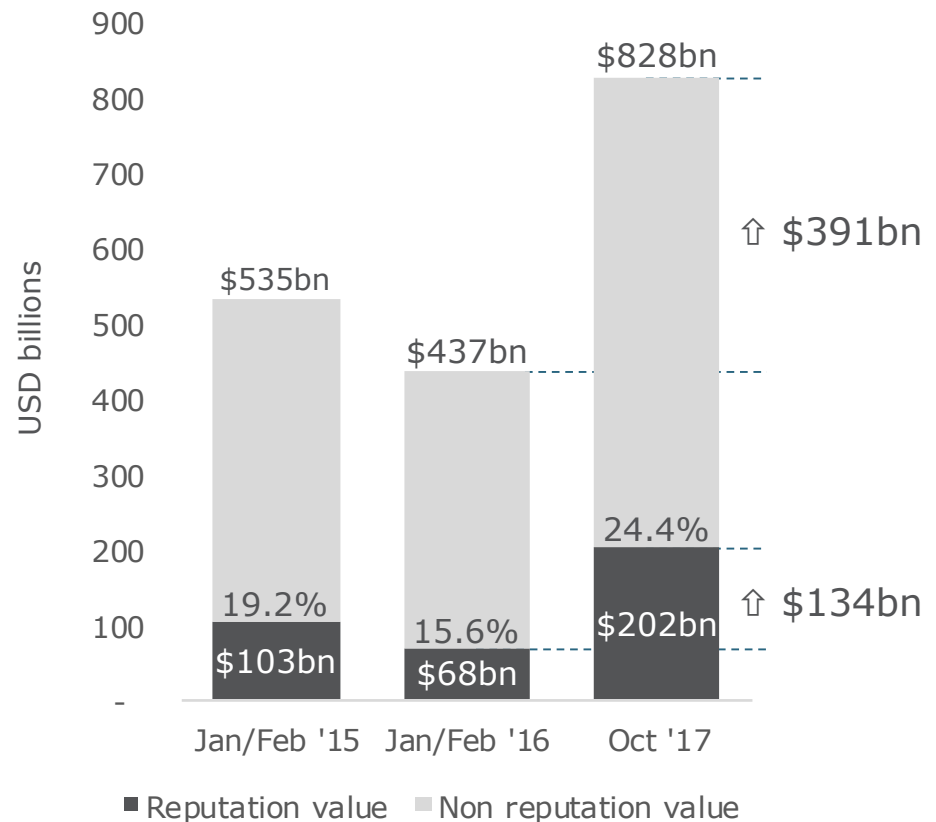
Gross mkt cap.
USD23,521bn
Contribution 31.3%
Rep value USD7,367bn

Rising Reputation Premiums across the Ibovespa provide early signals of a wider upturn

Reputation impact was at a low running in to the height of the crisis as investors proved wary of 'goodwill' and sought the evidence of proven financial performance

As confidence began to come back investors increasingly responded to the 'promise' of better returns stimulated, in particular, by the most effective corporate reputations

Reputation Value Development



The Top 25 - Ambev held on to the number one spot but the following pack is growing faster and closing the gap

	Reputation Premium (2017)	Market Cap (USD MM)	Reputation Value (USD MM)	Rank (2017)	2017 vs 2016 (percentage points)
AMBEV	45.4%	105,587	47,888	1	2.6%
RAIA DROGASIL	38.4%	8,064	3,097	2	3.7%
B3	38.1%	13,840	5,278	3	19.8%
ULTRAPAR	38.1%	13,599	5,182	4	2.3%
LOJAS RENNEN	37.2%	8,151	3,029	5	14.2%
WEG	36.8%	11,219	4,127	6	-0.3%
BANCO BRADESCO	36.0%	69,211	24,940	7	21.4%
ITAU UNIBANCO	35.7%	86,215	30,755	8	13.6%
LOJAS AMERICANAS	35.6%	8,457	3,015	9	7.6%
NATURA	35.6%	4,228	1,473	10	25.0%
CIELO	34.9%	18,592	6,481	11	-1.5%
CBD - GRUPO PÃO DE AÇÚCAR	33.1%	7,035	2,330	12	na
CPFL ENERGIA	32.2%	8,722	2,804	13	20.4%
CCR	31.3%	11,254	3,523	14	1.0%
HYPERMARCAS	29.1%	6,796	1,981	15	5.6%
VIVO - TELEFONICA	25.7%	25,211	6,470	16	13.9%
BANCO SANTANDER	24.4%	35,100	8,129	17	na
BRASKEM	24.4%	10,984	2,680	18	na
GERDAU	24.1%	5,890	1,420	19	na
BANCO DO BRASIL	24.1%	33,182	7,993	20	na
MULTIPLAN	22.4%	4,594	1,027	21	16.8%
KROTON	20.0%	9,908	1,979	22	12.7%
TIM BRASIL	19.8%	9,073	1,796	23	na
ENGIE BRASIL	18.9%	7,575	1,429	24	-4.4%
KLABIN	18.7%	5,976	1,115	25	-20.2%

Values as at October 2017

In sum: reputations can be major economic assets, but success is only ever 'work in progress'

The capacity of a company's corporate reputation to deliver shareholder value depends on the combination of investor appetite and its unique reputation profile ... at the time

And knowing how a company's reputation is driving shareholder value is key to securing and growing it going forward



To find out more about how Reputation Value Analytics can be used to grow corporate value contact enquiries@reputationdividend.com

Appendix: How Reputation Value is Measured, in Sum

Reputation value analysis is rooted in investor behaviour

Profitability

Allocation of capital

Product, brand experience

Impressions of management

Industry dynamics, networking

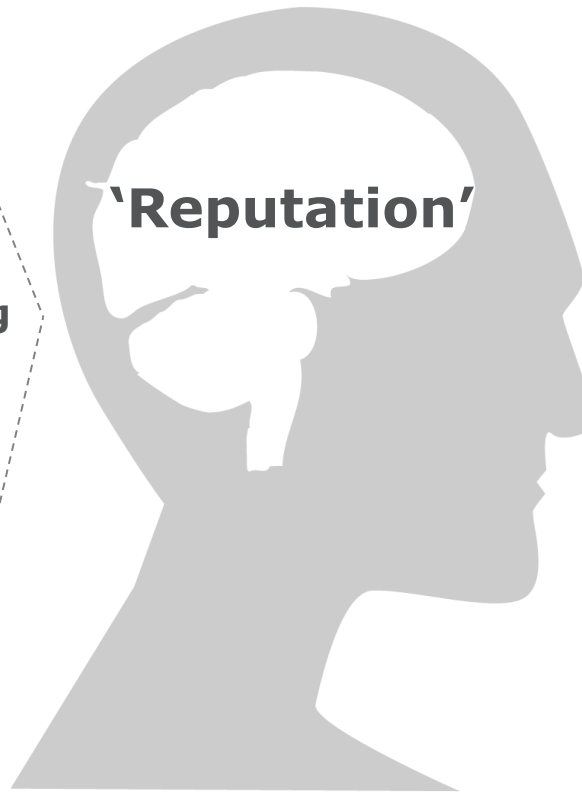
Marketing performance

Market perceptions

Macro forces

News flow

Etc...



**Creating
shareholder value**
↑
**Underpinning
confidence in the
ability of the
company to deliver
economic returns**

...via a two-stage modeling process:

Stage 1: Configuring the 'General Model' of investor behaviour

- Combines **data from three sources** – financial, news media and reputation
- Statistical regression analysis to identify drivers of **market cap**
- **Re-calibrated annually** using 700+ of the world's largest listed companies
- **Trending and modelling** data over ten years

Stage 2: Analysing company performance through lens of General Model

- Isolates the **economic contributions** of each reputation asset
- Calculates stock price implications of potential changes to the reputation profile
 - **Value lost** through reputation degradation
 - **Value gained** through reputation enhancement
- **Compares and contrasts** individual positions
- Identifies **implications** for corporate communications and messaging

Valuing Corporate Reputation To Secure Shareholder Value

WWW.ReputationDividend.com