



Romania 50 2017

The annual report on the most valuable Romanian brands

August 2017

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. Skeptical 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 the marketing and financial worlds. 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 marketers 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.

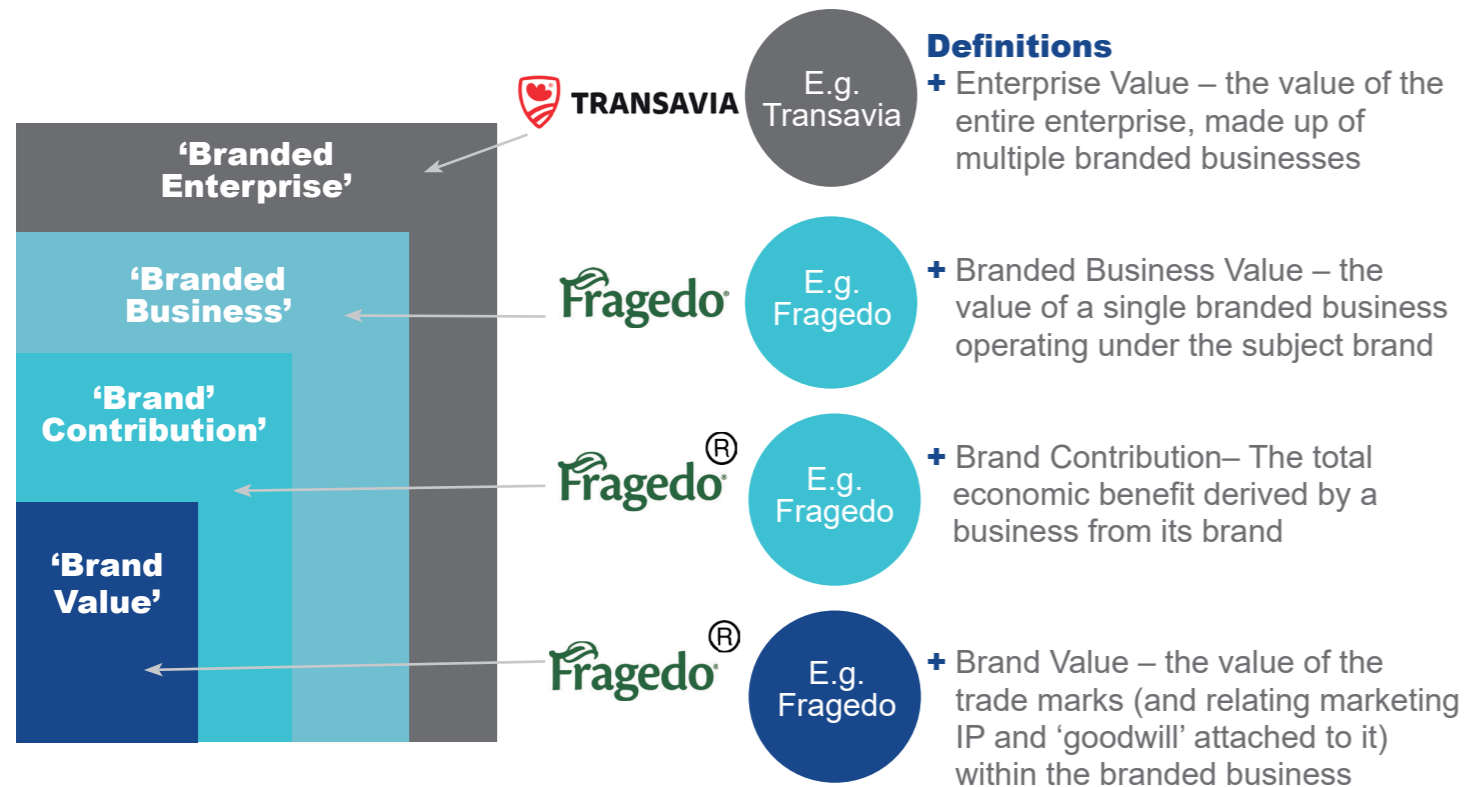
Brand Finance’s recently conducted share price study revealed the compelling link between strong brands and stock market performance. It was found that investing in the most highly branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

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.

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Definitions



Branded Business Value

A brand should be viewed in the context of the business in which it operates. For this reason Brand Finance always conducts a Branded Business Valuation as part of any brand valuation. Where a company has a purely mono-branded architecture, the business value is the same as the overall company value or ‘enterprise value’.

In the more usual situation where a company owns multiple brands, business value refers to the value of the assets and revenue stream of the business line attached to that brand specifically. We evaluate the full brand value chain in order to understand the links between marketing investment, brand tracking data, stakeholder behaviour and business value to maximise the returns business owners can obtain from their brands.

Brand Contribution

The brand values contained in our league tables are those of the potentially transferable brand asset only, but for marketers and managers alike, an assessment of overall brand contribution to a business provides powerful insights to help optimise performance.

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

Brands affect a variety of stakeholders, not just customers but also staff, strategic partners, regulators, investors and more, having a significant impact on financial value beyond what can be bought or sold in a transaction.

Effect of a Brand on Stakeholders



Brand Value

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”.

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.

Methodology

League Table Valuation Methodology

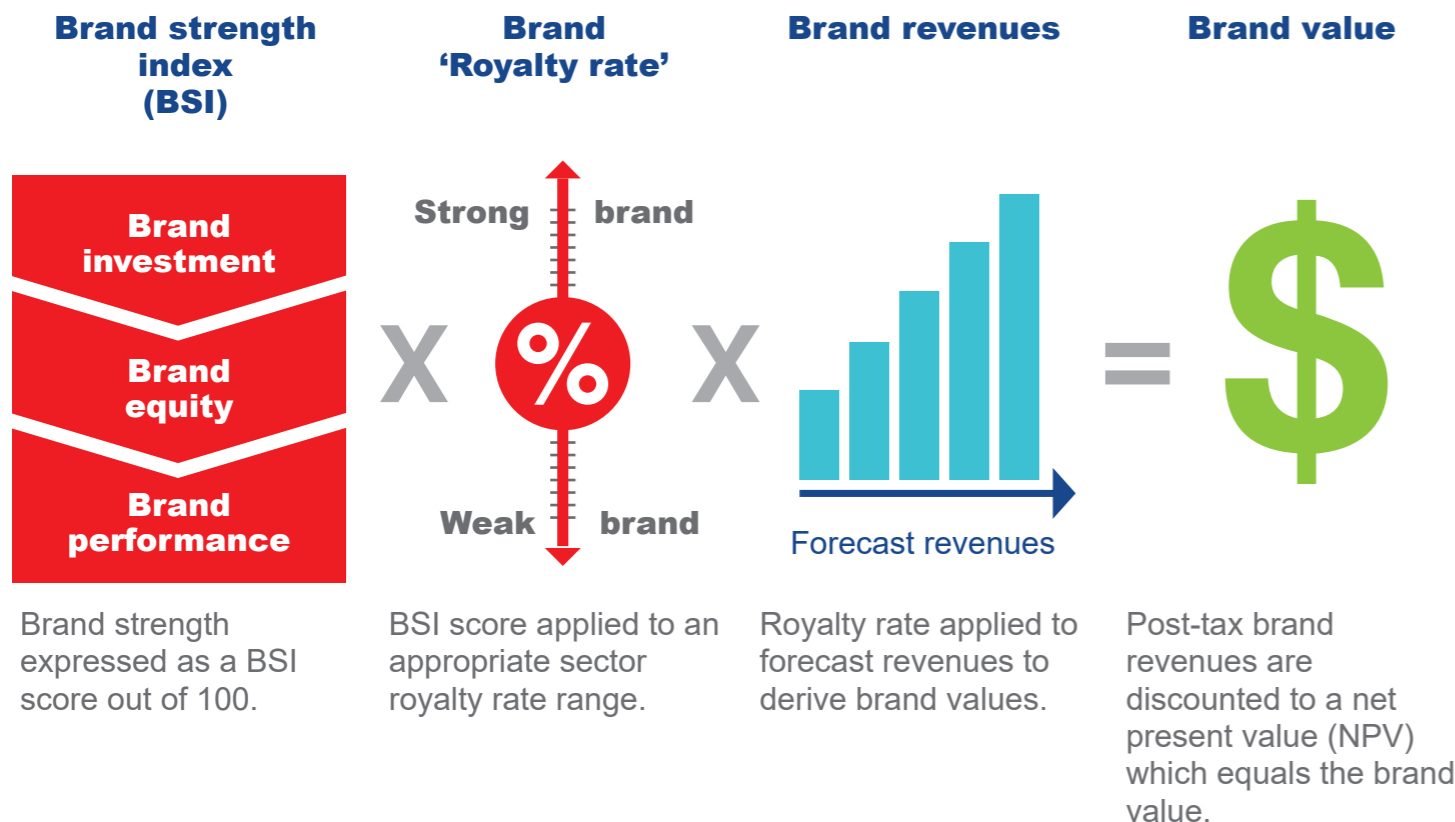
Brand Finance calculates the values of the brands in its league tables using the 'Royalty Relief approach'. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

The steps in this process are as follows:

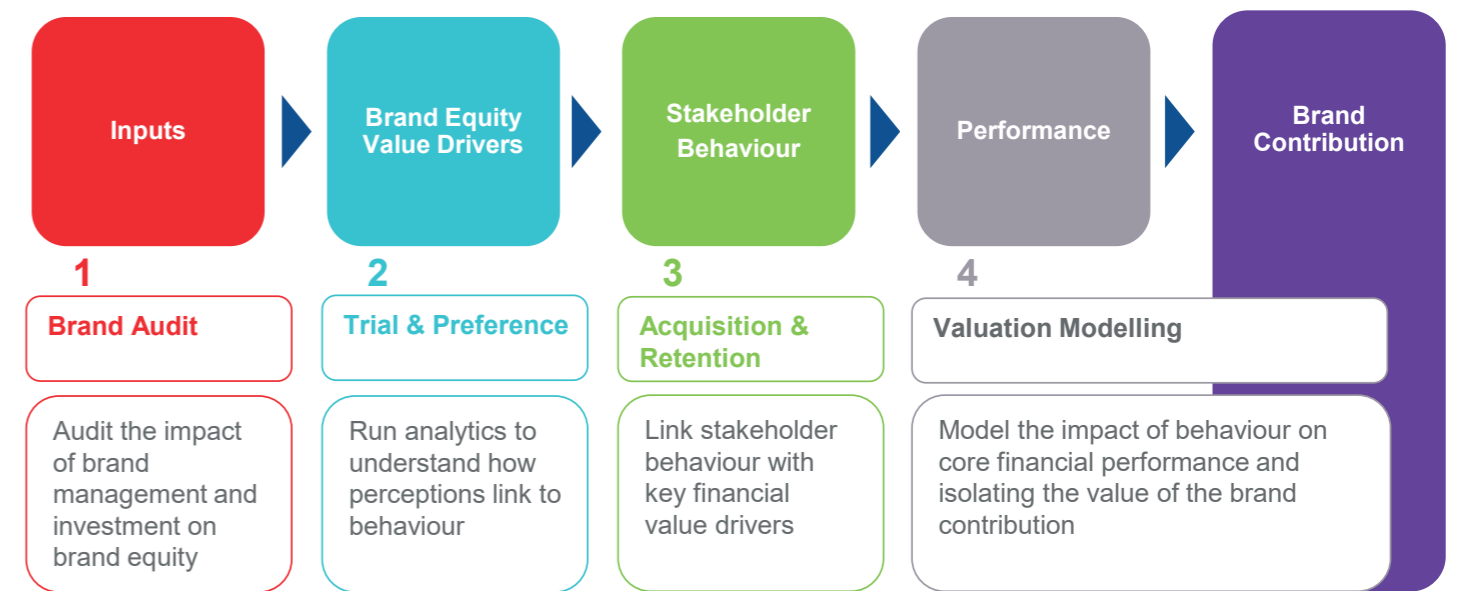
- 1 Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index
- 2 Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance's

extensive database of license agreements and other online databases.

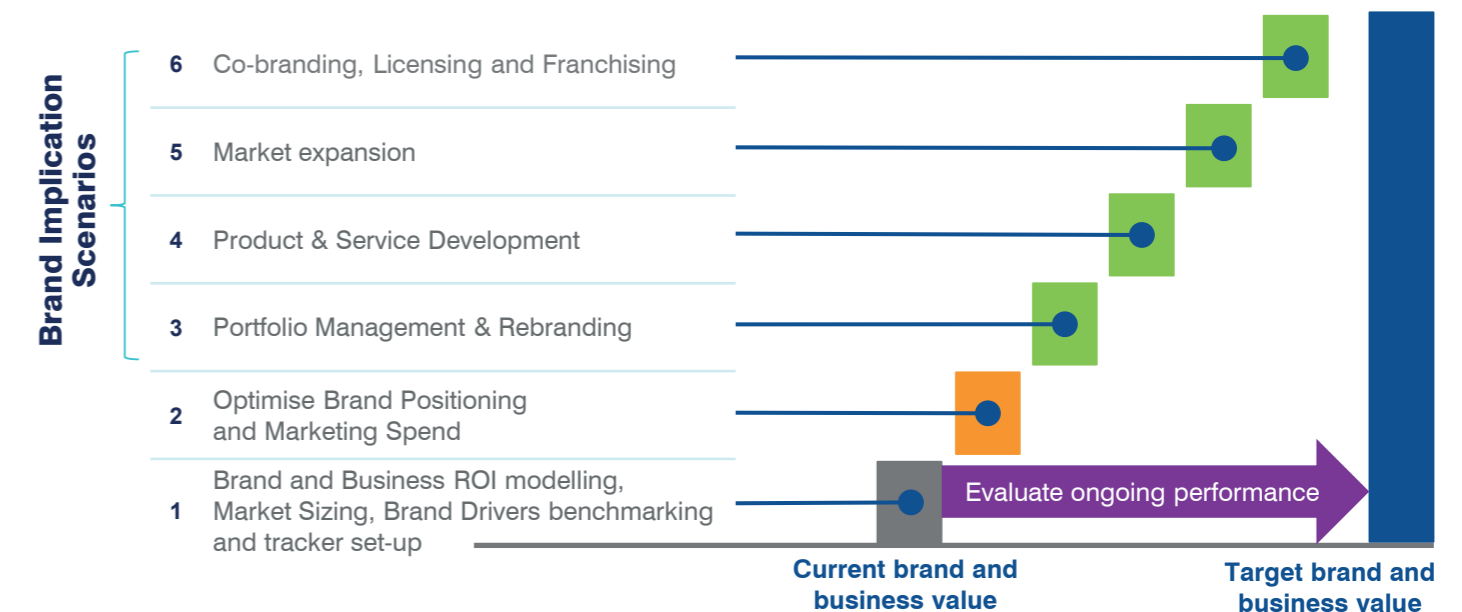
- 3 Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand's sector is 0-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand 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.



Brand Finance Typical Project Approach



How We Help to Maximise Value



Executive Summary

Romania 50



The automotive brand Dacia is the most valuable Romanian brand of 2017, and the only one so far worth over €1bn. This comes hardly as a surprise – Dacia is an established, popular car brand – virtually the only car available for purchase in Romania until 1989. The takeover by Renault in 1999 prompted a revival of the brand. Nowadays, Dacia is Renault's second brand by sales with presence in 34 countries and over 90% of the local production sold abroad.

Looking at brands by industry, apart from the particular automotive category of one, the retail sector has generated the most brand value, with a total of 10 brands worth €796m. The most valuable among them are the e-commerce star eMAG and the leading DIY chain Dedeman.

Today Romania's second most valuable brand at €361m, eMAG was started up by three young entrepreneurs in 2001 in an apartment block - the local equivalent of the Silicon Valley's „garage”.

Fuelled by investment from the global heavyweight Naspers, which bought a majority stake in the company in 2012, eMAG has grown exponentially, becoming by far the largest e-commerce retailer in the country. “Romania's Amazon” is staying truthful to its entrepreneurial spirit by expanding to other markets in Eastern Europe and offering new product categories in response to customer demand.

Third in the table, Dedeman, on the other hand, has excelled in the brick and mortar model. At €206m, it is also the most valuable brand with 100% Romanian shareholding. The brand has capitalised on the trends of DIY, home improvement, construction materials and cash & carry, and extended its national network relentlessly – even during the recession period – surpassing strong international players and ultimately reaching market leadership.

Digi (RCS&RDS) is 5th with a brand value of

	1 Rank 2017: 1 BV 2017: €1,217m Brand Rating: AA		6 Rank 2017: 6 BV 2017: €130m Brand Rating: A+
	2 Rank 2017: 2 BV 2017: €361m Brand Rating: AA-		7 Rank 2017: 7 BV 2017: €112m Brand Rating: A+
	3 Rank 2017: 3 BV 2017: €206m Brand Rating: AA-		8 Rank 2017: 8 BV 2017: €111m Brand Rating: A+
	4 Rank 2017: 4 BV 2017: €162m Brand Rating: A+		9 Rank 2017: 9 BV 2017: €103m Brand Rating: A
	5 Rank 2017: 5 BV 2017: €150m Brand Rating: A-		10 Rank 2017: 10 BV 2017: €80m Brand Rating: A

€150m. It is also the most valuable telecom brand – with significant market shares in fixed and mobile telephony, internet and data, pay and cable TV in Romania and Hungary, as well as in Italy and Spain, where it caters to large Romanian communities. The company has grown both organically and through M&A activity, and kept a relatively low profile until this year's IPO at the Bucharest Stock Exchange. It remains to be seen whether the new transparency requirements would strengthen or weaken the brand over the coming years.

Worth €112m and placing 7th in the league table, Bitdefender is Romania's most valuable technology brand. The antivirus software brand has gone from strength to strength, fuelled by the increasing need for data protection in the era of digital revolution. Regularly topping the global antivirus software rankings, Bitdefender solutions cater to hundreds of millions of users worldwide – with a huge upswing potential in Europe and the US.

New brands like eMAG, Dedeman, Digi or Bitdefender – created and developed by entrepreneurs over the past 28 years – make up more than half of the Brand Finance Romania 50 league table, generating over €1.5bn in brand value. Some of Romania's most valuable brands, however, carry a long history, often spanning more than a century, and remain under state-ownership.

Unfortunately, many of those brands, important from the point of view of public interest, like Tarom or CFR, are mostly neglected by the state, despite their considerable potential. However, there are notable exceptions, such as the successful CEC Bank brand, valued at €56m. It is a perfect example of how able leadership and management could turn around a declining state-owned business and place it amongst the strongest players.

Bank brands in general fare strongly in the Brand Finance Romania 50 study, generating €424m as a sector, and claiming three places among the top

Executive Summary

10. Placing 6th, Banca Transilvania is the most valuable Romanian banking brand – valued at €130m, while BCR and BRD, worth €111m and €103m respectively, are ranked 8th and 9th. Founded by savvy entrepreneurs in the heart of Transylvania in 1993, the eponym bank pursued its more established competitors relentlessly, especially over the past decade, and today it is the second largest bank in the country in terms of assets. Its brand value success can be attributed to its convincing positioning that appeals to the most dynamic customer segments.











Putting one’s name on a business is putting one’s personal reputation at stake, but at the same time, it is a mark of trust for customers and partners. Named after the famous tennis player and coach, Țiriac, which Brand Finance analysed as a single brand across all its associated businesses, has a brand value of €52m, securing 15th place in the league table. The seasoned businessman has been active in various sectors ranging from financial services to automotive industries, gradually creating a business holding that promises to develop his name into a strong and enduring brand.

Next to analysing individual brands, Brand Finance Romania 50 also lists the 10 most valuable portfolios of brands, calculated for those businesses that deploy more than one brand on the market. These portfolios encompass over 40 well-known local brands, most valuable of which are also ranked individually in the main top 50 league table.

Valued at €115m, Ursus Breweries has the most valuable local multi-brand portfolio on the Romanian market. Providing one out of every three beers enjoyed in Romania, it takes special pride in owning Ursus, the well-known 140-year old premium beer brand.

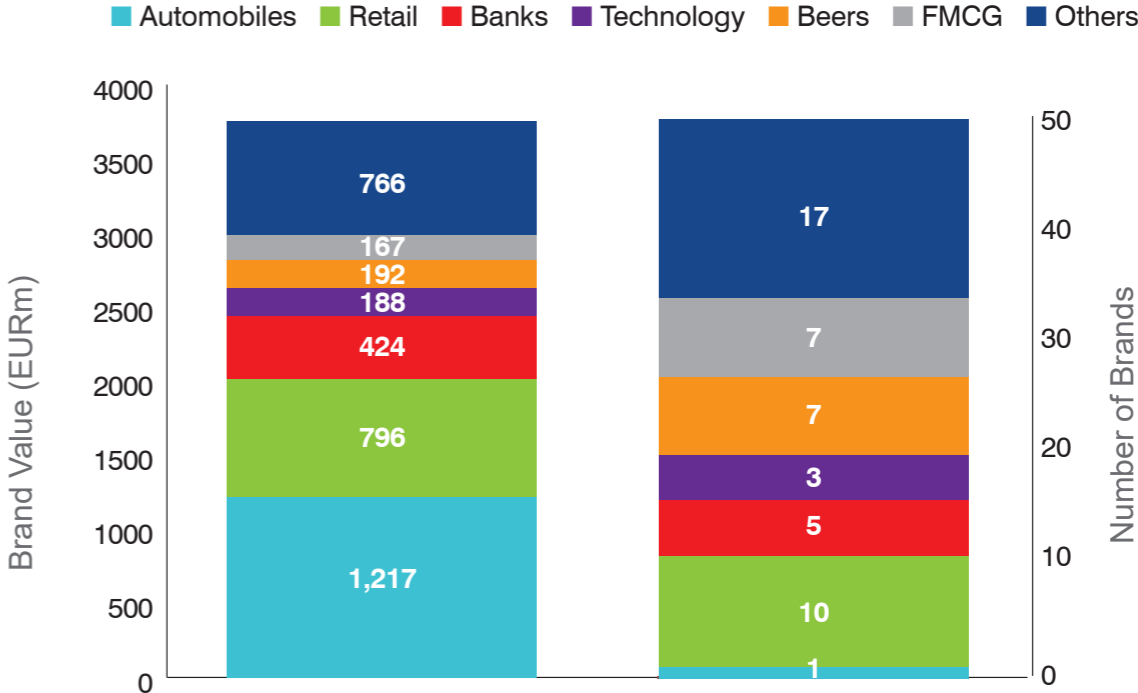
The 10 Most Valuable Portfolios

These are the most valuable Romanian portfolio of brands (EURm)

	Brand Value 114.8
	Brand Value 81.8
	Brand Value 79.2
	Brand Value 50.5
	Brand Value 33.0
	Brand Value 24.9
	Brand Value 24.6
	Brand Value 20.6
	Brand Value 20.4
	Brand Value 15.2

(*)Comprising only the local brands of Heineken Romania SA

Brand Value by Sector



Should Romania be concerned with the value of brands?



Mihai Bogdan, Managing Director, BF Romania

For centuries, the economic progress and the power of nation states had been linked to the ownership of tangible assets, such as land, factories, equipment. There were big and powerful countries, and... small countries, period. Today, this is not necessarily the case.

The concept of “soft power”, coined by Joseph Nye of Harvard University, helps explain how an otherwise small nation could “punch above its weight”. Soft power derives from the use of appeal and attraction rather than military or economic force. In other words, it relies on intangible assets – comprising rights, relationships, and intellectual property.

Tangible assets are still important, but they require matching financial resources, and are easily replicable. Moreover, possessing extensive tangible assets is no longer a prerequisite for success—just look at the most valuable companies in the world, the likes of Google, Apple, and Facebook, whose worth is based almost exclusively on intangible assets.

There is strong research to prove the advent of intangible assets. The latest Brand Finance Global Intangible Finance Tracker (GIFT™), the world’s

most extensive annual study on intangible assets, found that, after a drop during the financial crisis in 2008, intangible assets have grown continuously up to nearly 52% of the global economy’s total worth in 2016.

All in all, this is good news for Romania, an economy still recovering from the damaging decades of communism, but always taking pride in the creativity and inventive spirit of its people. Development of brands and other intangible assets, without drawing on huge material resources, could fuel an increase of the country’s soft power. This is an opportunity that should not be missed.

Brand(s) Romania

Discussions about the nation brand are a sensitive topic in Romania, and all attempts so far at developing a unified strategy have been mired in controversy. For the time being, the burden of defining and promoting the nation brand falls on Romanian corporate and product brands. With each foreign visitor enjoying a local brand, with each satisfied buyer of Romanian branded products abroad, a positive impression fills in a blank or replaces a negative association. The image of Romania gradually improves and returns as wind beneath the wings of local brands, in a virtuous circle.

What gets measured gets done

In financial terms, the more valuable a brand is, the higher the return for shareholders. But brands are sometimes neglected because, in line with current accounting rules, intangible assets are generally not reflected in financial statements. To overcome this, the most astute economic players track their intangible value by means of periodic valuations and assessments.

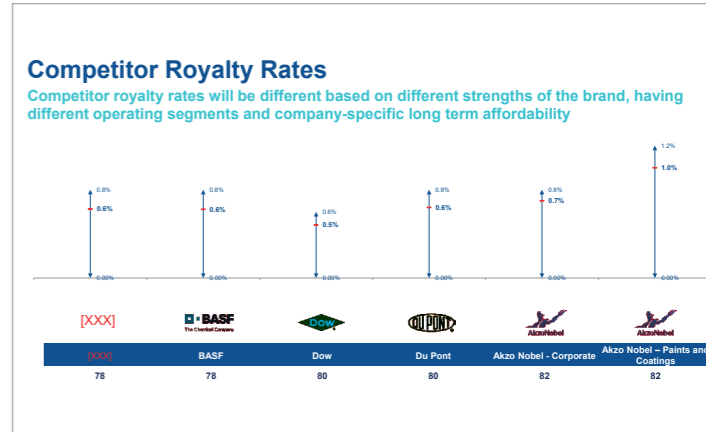
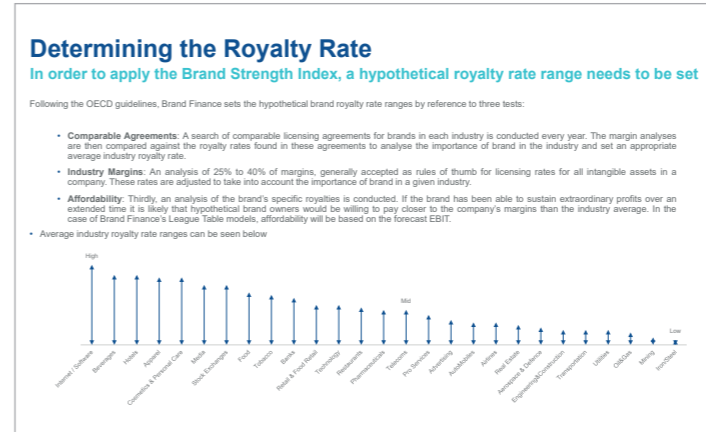
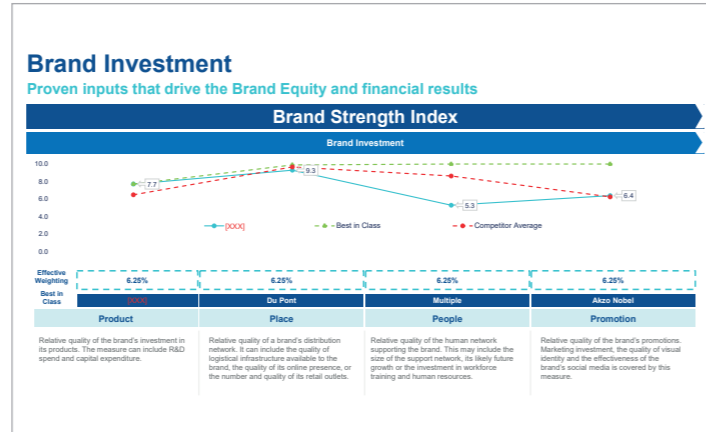
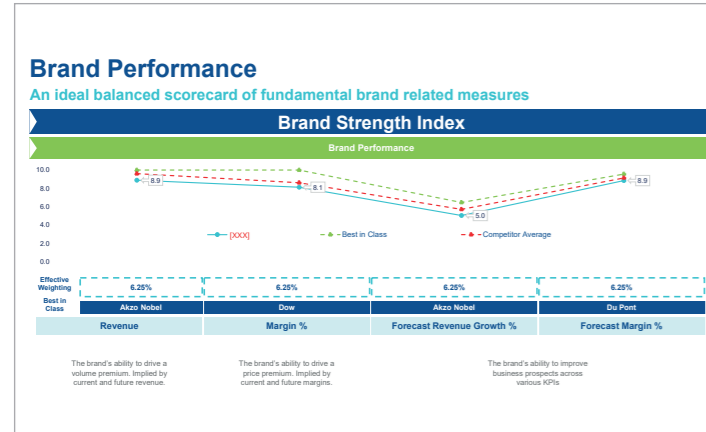
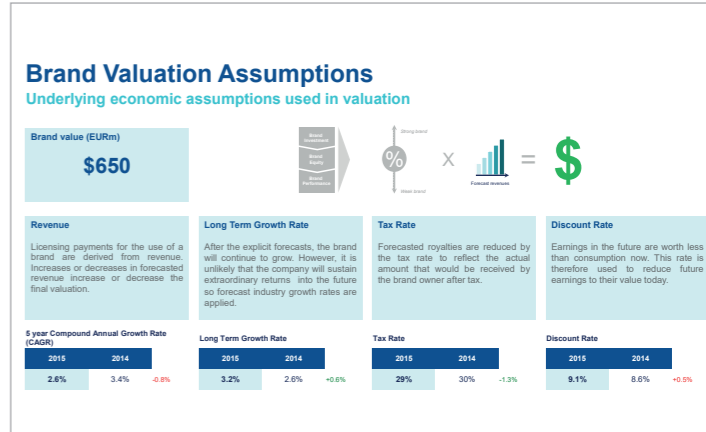
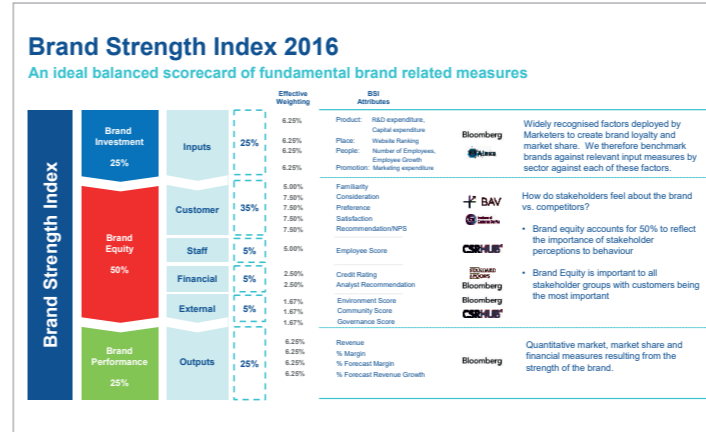
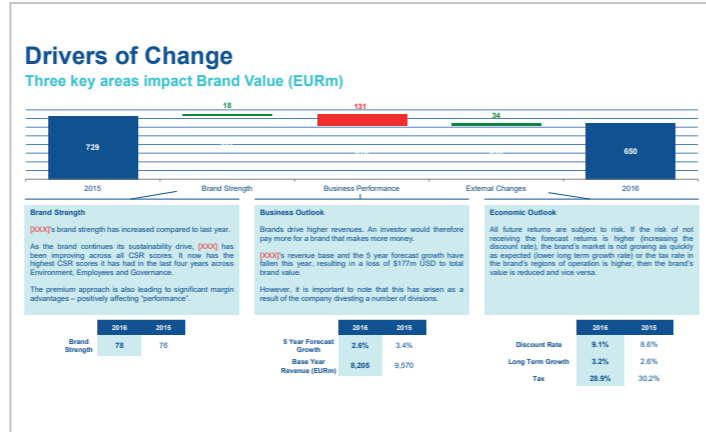
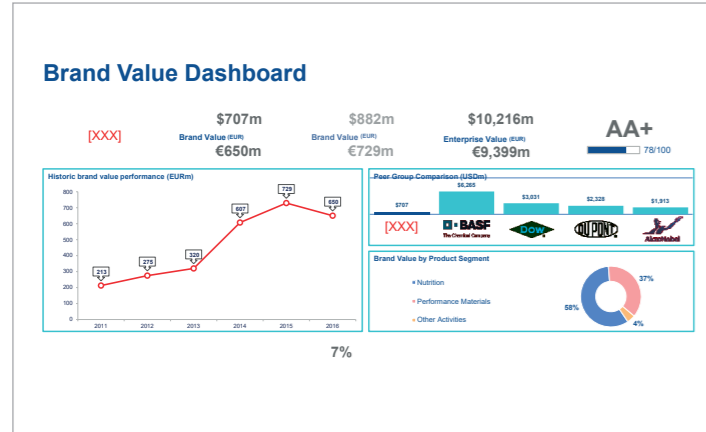
The time has come for Romanian brands to follow suit.

Brand Finance Romania 50 (EURm)

Top 50 most valuable Romanian brands 1 - 50.

Rank 2017	Brand name	Sector	Brand Value (EURm) 2017	Brand rating 2017
1	Dacia	Automobiles	1,216	AA
2	eMAG	Retail	361	AA-
3	Dedeman	Retail	206	AA-
4	Petrom	Oil & Gas	162	A+
5	DIGI / RCS&RDS	Telecoms	150	A-
6	Banca Transilvania	Banks	130	A+
7	Bitdefender	Technology	112	A+
8	BCR	Banks	111	A+
9	BRD	Banks	102	A
10	Electrica	Utilities	80	A
11	Arctic			
12	Pro TV			
13	CEC Bank			
14	Altex			
15	Tiriac			
16	Timisoreana			
17	Fragedo			
18	Tinmar			
19	Rompetro			
20	Catena			
21	Ciucas			
22	Tarom			
23	Cris-Tim			
24	TVR			
25	Neumarkt			
26	Ursus			
27	Bancpost			
28	Fan Courier			
29	Antena 1			
30	Blue Air			
31	Delaco			
32	Agricover			
33	Sensiblu			
34	Azomures			
35	Akta			
36	Golden Brau			
37	Bergenbier			
38	Dero			
39	Arabesque			
40	CFR			
41	Omniasig			
42	Agricola			
43	Flanco			
44	Network One Distribution (NOD)			
45	Helpnet			
46	Bucegi			
47	Terapia			
48	Borsec			
49	Mobexpert			
50	Siveco			

Understand Your Brand's Value



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

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.

A full report includes the following sections which can also be purchased individually.

Brand Valuation Summary

Overview of the brand valuation including executive summary, explanation of changes in brand value and historic and peer group comparisons.

- + Internal understanding of brand
- + Brand value tracking
- + Competitor benchmarking
- + Historical brand value

Brand Strength Index

A breakdown of how the brand performed on various metrics of brand strength, benchmarked against competitor brands in a balanced scorecard framework.

- + Brand strength tracking
- + Brand strength analysis
- + Management KPI's
- + Competitor benchmarking

Royalty Rates

Analysis of competitor royalty rates, industry royalty rate ranges and margin analysis used to determine brand specific royalty rate.

- + Transfer pricing
- + Licensing/ franchising negotiation
- + International licensing
- + Competitor benchmarking

Cost of Capital

A breakdown of the cost of capital calculation, including risk free rates, brand debt risk premiums and the cost of equity through CAPM.

- + Independent view of cost of capital for internal valuations and project appraisal exercises

Trademark Audit

Analysis of the current level of protection for the brands word marks and trademark iconography highlighting areas where the marks are in need of protection.

- + Highlight unprotected marks
- + Spot potential infringement
- + Trademark registration strategy

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

Alex Haigh
Technical Valuations Director, Brand Finance

a.haigh@brandfinance.com
+44 (0)20 7389 9400

How we can help

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

- Branded Business Valuation
- Trademark Valuation
- Intangible Asset Valuation
- Brand Contribution

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers and owners of branded businesses get a better deal by leveraging the value of their intangibles.

- M&A Due Diligence
- Franchising & Licensing
- Tax & Transfer Pricing
- Expert Witness

2. Analytics: How can I improve marketing effectiveness?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allow an understanding of how brands create bottom-line impact.

- Market Research Analytics
- Brand Audits
- Brand Scorecard Tracking
- Return on Marketing Investment

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

- Brand Governance
- Brand Architecture & Portfolio Management
- Brand Transition
- Brand Positioning & Extension



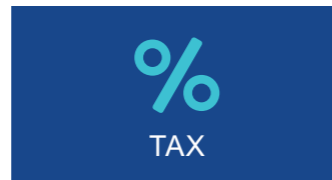
We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand based decisions and strategies.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Franchising & Licensing



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

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Mergers, Acquisitions and Finance Raising Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness



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

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness



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

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Tax & Transfer Pricing
- + Expert Witness

BRAND FINANCE INSTITUTE



- + Technical Research
- + Standard Setting
- + Training and Development
- + Forums and Events
- + Professional Membership

Contact details

Contact us

For brand value report enquiries, please contact:

Alex Haigh

Technical Valuations Director
a.haigh@brandfinance.com

For media enquiries, please contact:

Konrad Jagodzinski

Senior Communications Manager
k.jagodzinski@brandfinance.com

For Romania enquiries, please contact:

Mihai Bogdan

Managing Director
Brand Finance Romania
m.bogdan@brandfinance.com

For all other enquiries, please contact:

enquiries@brandfinance.com
+44 (0)207 389 9400



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Our offices



For further information on Brand Finance®'s services and valuation experience, please contact your local representative:

Country	Contact	Email address
Australia	Mark Crowe	m.crowe@brandfinance.com
Brazil	Pedro Tavares	p.tavares@brandfinance.com
Canada	Bill Ratcliffe	b.ratcliffe@brandfinance.com
China	Minnie Fu	m.fu@brandfinance.com
Caribbean	Nigel Cooper	n.cooper@brandfinance.com
East Africa	Jawad Jaffer	j.jaffer@brandfinance.com
France	Victoire Ruault	v.ruault@brandfinance.com
Germany	Dr. Holger Mühlbauer	h.muehlbauer@brandfinance.com
Greece	Ioannis Lionis	i.lionis@brandfinance.com
Holland	Marc Cloosterman	m.cloosterman@brandfinance.com
India	Ajimon Francis	a.francis@brandfinance.com
Indonesia	Jimmy Halim	j.halim@brandfinance.com
Italy	Massimo Pizzo	m.pizzo@brandfinance.com
Malaysia	Samir Dixit	s.dixit@brandfinance.com
Mexico	Laurence Newell	l.newell@brandfinance.com
LatAm (exc. Brazil)	Laurence Newell	l.newell@brandfinance.com
Middle East	Andrew Campbell	a.campbell@brandfinance.com
Nigeria	Babatunde Odumeru	t.odumeru@brandfinance.com
Portugal	Pedro Tavares	p.tavares@brandfinance.com
Romania	Mihai Bogdan	m.bogdan@brandfinance.com
Russia	Alexander Eremenko	a.erenenko@brandfinance.com
Scandinavia	Alexander Todoran	a.todoran@brandfinance.com
Singapore	Samir Dixit	s.dixit@brandfinance.com
South Africa	Jeremy Sampson	j.sampson@brandfinance.com
Spain	Alex Haigh	a.haigh@brandfinance.com
Sri Lanka	Ruchi Gunewardene	r.gunewardene@brandfinance.com
Switzerland	Victoire Ruault	v.ruault@brandfinance.com
Turkey	Muhterem Ilgüner	m.ilguner@brandfinance.com
UK	Alex Haigh	a.haigh@brandfinance.com
USA	Ken Runkel	k.runkel@brandfinance.com
Vietnam	Lai Tien Manh	m.lai@brandfinance.com

Contact us.

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T: +44 (0)20 7389 9400

E: enquiries@brandfinance.com