Onto the balance sheet: the most valuable brand acquisitions since 2000

Christof Binder, managing partner of Trademark Comparables AG, MARKABLES, runs through the 50 most expensive brands and brand portfolios acquired over the past two decades, and the trends that they reveal.

Without a shadow of a doubt, intangible assets – including brands – command the lion's share of enterprise value. According to Ocean Tomo, its portion of enterprise market value has increased from 17% in 1975 to 90% today. There is thus no question that brands – as assets that can be valued, accounted for, taxed, bought or sold, transferred to sister companies, licensed, amortised, used as a collateral, or insured against damage or loss – are crucial value drivers for many businesses.

There are many calls in the finance sector to account for brands and other intangible assets on the balance sheet. However, as of today, only brands that were acquired from outside a company are accounted for. Given this restriction, Table 5 shows the 50 most expensive brands and brand portfolios acquired in M&A transactions in the last 20 years, an impressive picture of brand values realised in transactions. The most expensive ever was the portfolio of Reynolds' tobacco brands acquired by British American Tobacco (BAT) in 2017, with a brand value of $93.6 billion.

In addition to sheer values, the list reveals other interesting details. The brand-value-to-enterprise-value ratio indicates the relative importance of the brand assets compared to all other business assets. A high percentage means that the entity has few other important assets than brands that contribute to its overall value – in other words, brands are the major value driver. The values range between 5.9% for the brand portfolio of 21st Century Fox acquired by Disney in 2019 and 109% for Pfizer's over-the-counter (OTC) brands acquired by GlaxoSmithKline in 2019. Pfizer's OTC business consists of brand names only – no patents, no technology, no direct relations to end consumers, while the broadcast and TV business of 21st Century Fox encompasses much more than brand names (eg, subscriber and advertiser relations, broadcast licences, network affiliations and programming rights, among other things).

The brand-value-to-revenue ratio is an indicator of the profits that brands generate from revenues. A high ratio means that there are high profit premiums charged for the brand name. This ranges between 7.5x for the Reynolds tobacco portfolio acquired by BAT in 2017 and 0.1x for Fiat Chrysler's auto brands acquired by Stellantis in 2021. These figures translate into implied trademark royalty rates of 60% on sales and higher for the cigarette brands, and 1% on sales for the Fiat and Chrysler auto brands.

Looking at the highest ever values in the table, there is an impressive exponential trend, which doubles with every record high. A first record high was the brand value of $4.8 billion reported by Grand Met with its acquisition of Pillsbury in 1988. By 2000, the record figure had risen to $11.7 billion with the acquisition of Nabisco by Philip Morris. Five years later, the acquisition of Gillette by Procter & Gamble marked another record high with a reported brand value of $25.6 billion. In 2015, following the acquisition of Kraft Foods in the formation of Kraft Heinz, a brand value of $41.3 billion was recorded. And finally, 2017 saw the acquisition of Reynolds American by BAT, with a reported brand value of $93.6 billion. To stay within the trend, the next record high would be in the area of $200 billion – a little hard to imagine for now.

Table 5. Top 50 most expensive brands and brand portfolios acquired since 2000

	Acquirer	Business	Brand(s)	Year	Brand value $ billion	Enterprise value $ billion	Revenues $ billion
1	British American Tobacco	Reynolds American	Newport, Pall Mall, Camel, Natural American Spirits, Grizzly, Kodiak	2017	93.6	105.4	12.5
2	Kraft Heinz Co	Kraft Foods	Kraft, Oscar Mayer, Philadephia, …	2015	41.3	61.6	18.2
3	Reynolds American	Lorillard	Newport, Kent, …	2015	27.2	28.7	7
4	Procter & Gamble	Gillette	Gillette, Duracell, Oral B, Braun	2005	25.6	53.4	11.2
5	InBev	Anheuser-Busch	Budweiser, Michelob, Busch	2008	24.2	65.8	17.4
6	Keurig Dr Pepper	Dr Pepper Snapple	7UP, A&W, Bai, Canada Dry, Clamato, Crush, Hawaiian Punch, IBC, Mott's, Mr & Mrs T mixers, Peñafiel, Rose's, Schweppes, Squirt and Sunkist soda	2019	19.4	26.5	6.7
7	AT&T	Time Warner	TNT, TBS, Adult Swim, Cartoon Network, CNN, HBO, Cinemax, Warner Bros. and New Line Cinema	2018	18.1	100.3	31.3
8	Volkswagen	Porsche	Porsche	2012	17.8	50.4	14
9	GlaxoSmithKline	Pfizer OTC Consumer business	Advil, Therma Care, Caltrate, Emergen-C, Centrum, Nexium, Robitussin, Chap Stick	2019	15.8	14.5	3.5
10	AB InBev	SABMiller	Castle, Carling, Aguila, Poker, Cristal, Pilsner, Carlton, …	2016	15.4	95.2	12.2
11	Berkshire Hathaway / 3G	HJ Heinz	Heinz, Quero	2013	12.1	30	11.5
12	Stellantis	Fiat Chrysler	Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Jeep, Lancia, Ram, SRT, Maserati	2021	11.8	11.9	117.7
13	Reckitt Benckiser	Mead Johnson	Mead Johnson, Enfamil, Nutramigen	2017	11.8	18.5	3.7
14	Philip Morris / Kraft	Nabisco	Oreo, Ritz, Nutter Butter, Planters	2000	11.7	19.2	8.3
15	Kraft Foods	Cadbury	Cadbury, Trident, Hollywood, Halls,	2010	10.3	20	10
16	Pfizer	Wyeth	Wyeth, Efexor, Prevnar, Enbrel, Gold, Protonix, Zosyn, Torisel, …	2009	10.2	79.8	23.3
17	Imperial Tobacco	Altadis	Gauloises, Gitanes, Fortuna, Montecristo, Dutch Masters, Cohiba	2008	9.4	20.2	6.1
18	Molson	MillerCoors	Coors, Miller, Blue Moon, Keystone, Leinenkugel's, Hamm's, Icehouse	2016	9.4	18.3	7.7
19	GlaxoSmithKline	Novartis OTC Consumer business	Voltaren, Excedrin, Otrivin, Theraflu, Nicotinell, Lamisil, Fenistil, Maalox	2015	9.2	9.6	2.8
20	Altria	US Smokeless Tobacco	Copenhagen, Skoal, Red Seal, Husky	2009	9.1	11.6	2

Source: MARKABLES database of 12,660 brands acquired in corporate transactions as of 25 July 2021

	Acquirer	Business	Brand(s)	Year	Brand value $ billion	Enterprise value $ billion	Revenues $ billion
21	Newell Rubbermaid	Jarden	First Essentials, Lehigh, Mapa, Millefiori, NUK, Spontex, Yankee Candle, Campingaz, Coleman, Fenwick, K2, Marmot, PENN, Rawlings, Crock-Pot, FoodSaver, Holmes, Mr Coffee, Oster, Sunbeam	2016	8.6	19.9	9.7
22	Cigna	Express Scripts	Express Scripts	2018	8.4	62.1	100
23	Pernod Ricard	Allied Domecq	Ballantine's, Beefeater, Malibu, Kahlúa, Stolichnaya, Mumm, Hiram Walker, Dunkin'	2005	7.8	18.1	3.1
24	Burger King / 3G	Tim Horton's	Tim Horton's	2014	7.3	12.6	6.2
25	Bayer	Merck's consumer care business	Claritin, Coppertone, MiraLAX, Afrin	2014	7.1	14.9	2
26	Walgreen	Alliance Boots	Boots, Alliance Healthcare	2014	7.1	30.5	33.5
27	Carlsberg	Scottish & Newcastle	Kronenbourg, Baltika, Saku, Mythos, Grimbergen	2008	7	14.2	7.5
28	Valeant	Salix Pharmaceuticals	Xifaxan, Uceris, Relistor, Apriso	2015	6.8	16.1	1.6
29	Sprint	Sprint Nextel	Sprint, Boost Mobile, Virgin Mobile, Assurance Wireless	2013	6.5	54.8	35.3
30	Marriott	Starwood	St Regis, The Luxury Collection, W, Westin, Le Méridien, Sheraton,Tribute Portfolio, Four Points by Sheraton, Aloft, Element	2016	6.5	13.6	4.8
31	CVS	Caremark Rx	CaremarkPCS, AdvancePCS	2007	6.4	25.6	36.7
32	Imperial Tobacco	Reynolds portfolio	Winston, Salem, Kool, Maverick, blu e-cigarette	2015	6.2	7.1	3.6
33	Pernod Ricard	V&S Vin&Sprit	Absolut Vodka	2008	6	8	1.6
34	Dow Chemical	EI du Pont de Nemours	DuPont, Pioneer, Surlyn, Bynel, Elvax, Nucrel, Elvaloy, Sorona, Danisco, Xivia, Supro, Kevlar, Nomex, Tyvek, Tychem, Corian, Zytel, Crastin, Rynite, Delrin, Hytrel, Vespel, Vamac	2017	5.8	86.4	24.3
35	Alliance	Boots	Boots	2007	5.8	23.8	23.8
36	United Technologies	Raytheon	Raytheon	2020	5.4	34.7	29
37	Pfizer	Pharmacia	Celebrex, Bextra, Xalatan, Genotropin Camptosar Detrol, Zyvox, Nicotrol, Nicorette Rogaine/ (Regaine), Luden's, Naxcel/ Excenel, Lincomix/Linco-spectin	2003	5.4	56	13.8
38	Johnson & Johnson	Pfizer OTC consumer healthcare	Listerine, Nicorette, Neosporin, Sudafed, Benadryl, Visine, Benylin, Purell, Actifed, Efferdent	2006	5.2	16.3	3.9
39	Southern Bell	AT&T	AT&T	2005	4.9	23.8	26.8
40	PPR (Kreing)	Puma	Puma	2007	4.8	6.6	3.2
41	SABMIller	Fosters	Fosters, Victoria Bitter, Carlton Draught, Corona, Crown Lager, Pure Blonde, Carlton	2011	4.8	12.7	3.7
42	Walt Disney	Twenty First Century Fox	FOX, FX, FXX, FXM, FS1, Fox News Channel, Fox Business Network, FOX Sports, National Geographic Channels, Star India	2019	4.8	80.7	15.5
43	Danone	Royal Numico	Nutricia, Milupa, Mellin, Cow & Gate, Dumex	2007	4.7	13.6	3.8
44	Walmart	Flipkart	Flipkart, Myntra, Jabong, PhonePe	2018	4.7	18.1	4.6
45	Bayer	Monsanto	Monsanto, DEKALB, Asgrow, Deltapine Seminis, De Ruiter SmartStax, YieldGard, YieldGard VT Triple, VT Double, Intacta RR2, Bollgard, Roundup Ready	2018	4.7	64	15
46	Nestlé	Galderma	Epiduo, Loceryl, Restylane	2014	4.6	8.7	2.2
47	Coty	P&G beauty business	Wella Professionals, Sebastian, Nioxin, Clairol Professional, System Professional, Londa Professional, Kadus Professional, Color Charm, Sassoon Professional, Londa, Clairol, Blondor, Koleston, Miss Clairol, Soft Color, Natural Instincts, Nice'n Easy, L'image, Bellady, Balsam Color, Shockwaves, New Wave Design, Silvikrin, Wellaton, Welloxon, VS Salonist, VS Pro-Series Color, CoverGirl, Max Factor	2015	4.6	11.2	5.5
48	Nestlé	Wyeth Nutrition	S-26 Gold, SMA, Promil	2012	4.6	12	2.4
49	Tyson Foods	Hillshire Brands	Jimmy Dean, Ball Park, Hillshire Farm, State Fair, Sara Lee frozen bakery, Chef Pierre pies, Aidells, Gallo Salame, Van's Natural Foods Golden Island premium jerky	2014	4.6	9	4.1
50	AB InBev	Grupo Modelo	Corona Extra, Modelo Especial, Victoria, Pacífico, Negra Modelo	2013	4.6	32.5	5.7

Source: MARKABLES database of 12,660 brands acquired in corporate transactions as of 25 July 2021

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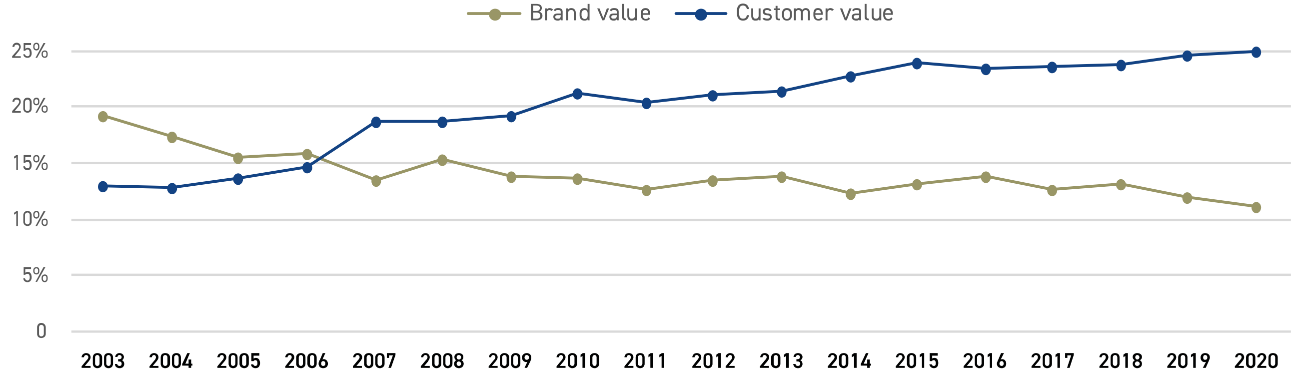
Figure 7. Brands versus customer value in M&A



Since 2000, MARKABLES has tracked the accounting for brands and other intangible assets, which were purchased in M&A transactions. Looking closer at the long-term trends, the numbers reveal a dramatic shift not only in the importance of specific intangible assets, but also in corporate strategies and IP management. Figure 7 shows how the importance of brands in M&A transactions developed over time (the brand-value-to-enterprise-value ratio), as compared to the value of customer relations.

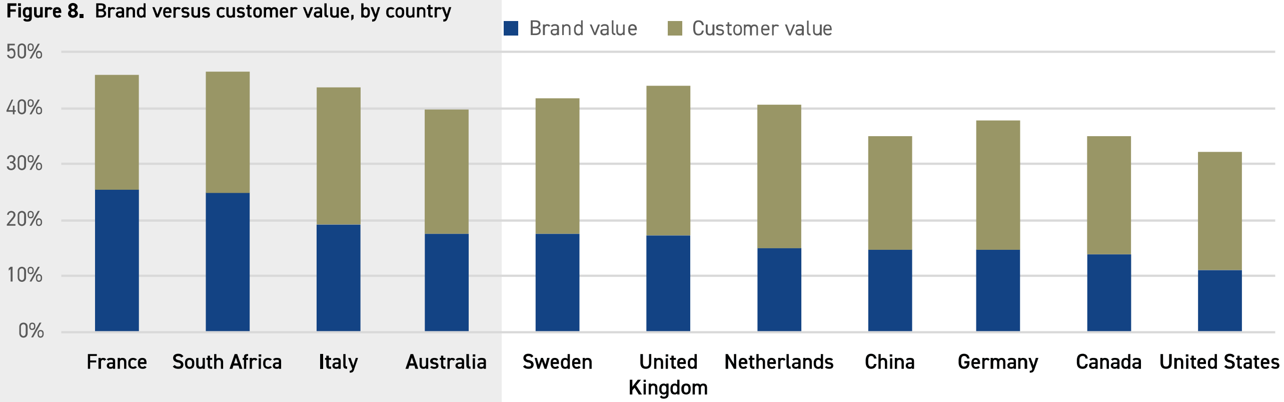
Accordingly, the share of brand value nearly halved between 2003 and 2020, while the share of customer value almost doubled. However, adding the two asset classes together as marketing intangibles, their total importance has increased over time.

This raises the question of whether the value of brand and customer relations can be reasonably separated from one another. They can. Customer value is only for customers that are already on board; the presumption is that the customers are known in person, and that they can be kept for a while (assuming a churn rate) without the attraction of the brand.

Basically, there are four major reasons for the inverse evolution of brand value and customer value:

- Legally, trademarks enjoy a special position among IP assets, as they can be renewed for an unlimited number of times. This particularity, along with case reality of long-living famous brands, has influenced the perception of accountants and appraisers to project benefits from trademarks very far into the future and to value them for an indefinite lifetime. Over time, this perception has changed through learnings from costly write-offs and impairments of (some) indefinite-lived brand names. Today, brands are perceived rather as assets that require remaking, repositioning or even replacing/rebranding from time to time. Accordingly, the average useful life assumed in the valuation of brands has decreased over time, from more than 40 years to less than 20 years today.
- Knowing and owning customers is a central element in corporate strategies for some time now. Wherever possible, vendors try to bypass sales intermediaries, retailers and agents. Direct interaction without interfaces guarantees better control over customer relations. In addition, customer strategies have been enhanced through so-called lock-ins to increase loyalty. Examples include subscriptions, contracts, automatic renewals, systems, supply of consumables and spare parts, loyalty cards and extended warranties, among other things. In all cases, customers become more dependent and less likely to switch to another vendor.
- Knowing yours consumers and keeping customer files is key for customer management. The technical possibilities resulting from digitisation have very much accelerated the trend towards direct customer relations. Digital business models, customer—relationship management and data-driven digital (online) marketing have largely replaced traditional communication through mass-media channels, such as television and print.

Figure 8. Brand versus customer value, by country



- Today, markets are fully transparent, and information has become an abundant commodity. The availability of customer reviews and price comparisons on the Internet have eroded the information headstarts enjoyed by strong brands over their competitors and contributed to the erosion of brand premiums that were based on brand image rather than on real user benefits.

As a result, brands have lost their dominant value when it comes to customer relations, although brands are still the second most valuable class of intangible assets, a little ahead of technology. On an individual basis, some businesses still rely almost entirely on the strength and attractiveness of their brand names. Examples include tobacco, alcoholic beverages, soft drinks, OTC drugs and fashion. But even these try to digitise their customer relations. The most expensive customer portfolios ever acquired stay smaller than the most expensive trademark portfolios. The 50 most expensive trademarks portfolios have an average value of $11.7 billion; the 50 most expensive customer lists have 9.1 billion only. Large trademarks can be truly global; customer lists rarely are.

On a country-by-country basis, the importance of brands shows divergent results. Brand-centric countries such as France or Italy – as well as countries with a high share of consumer goods businesses – show brand value/enterprise value ratios of 20% and above. In technology and engineering-centric countries such as the United States, Canada and Germany, the ratio is between 10% and 15%. The importance of customer relations is almost evenly recognised across all countries (see Figure 8).

IP management is not detached from the inverse development of trademark and customer values. Not much has changed with regard to the importance and the content of trademark protection, which includes filing, monitoring, protecting, defending and litigating. However, IP management must recognise customer relations as an important intangible asset that needs protection too. Like trademarks, customer lists can be bought or sold, misused, damaged, copied or stolen. The main difference is that there is no legal protection system around them, only ownership of data.

Data protection regimes are certainly different from the protection of legal rights and involve technical aspects and human capital aspects, as well as IT law. Once registered and used, trademarks are straightforward to protect – even though this involves hard work. In contrast, data protection is less a legal than a physical or technical task. Data is easy to copy and take away and once it is gone, it is almost impossible to reclaim. The following aspects, among others, are all critical in the protection of customer relations:

- The collection, storage, use and protection of customer data must comply with privacy rules.
- Technical access to customer data must prevent any illegal access, be it from hackers, competitors, or unauthorised employees.
- All employees with access to customer data are a potential risk, in case they leave and join competitors. Their employment agreements must include clear wording regarding confidential information, non-compete clauses and incentives to stay.
- Special attention must be paid to external service providers that enjoy full or partial access to customer data (ie, outsourced IT services and customer relationship management services, such as customer contact centres).

Irrespective of whether internally generated brands or customer relations make it on balance sheets in the near future, their value is significant and needs appropriate measures of protection and maintenance today. WTR