



PRESS RELEASE

Corporate reputation more important than ever when it comes to stock market valuations, finds new research from AMO, the leading international strategic advisory network

- *The world's top 15 market indices owe more than a third of their valuation to corporate reputations, amounting to \$16.77 trillion of value for shareholders*
- *The UK's FTSE 100 saw reputational factors contribute nearly 50 % of overall market capitalisation*
- *More than one in five companies in the world's top stock market indices suffered market cap erosion due to poor corporate reputations*
- *Technology, telecoms and healthcare enjoyed the greatest value boost from their strong corporate reputations*

London, 3 July 2019. Companies with stronger corporate reputations are more likely to withstand stock market shockwaves reveals new research from AMO, the leading international strategic advisory network. For the first time, research unveils the individual components of corporate reputation that create the most value for the world's leading companies.

The report found that during the 12-month period ended March 31, 2019, corporate reputations accounted for 35.3 % of total capitalisation of the world's top 15 stock market indices, representing \$16.77 trillion in shareholder value. Almost eight in ten companies surveyed saw their stock value shored up by a positive corporate reputation, boosting their combined market capitalisation by \$17.2 trillion. Over the same period, the value associated with corporate reputation for the 1,611 corporations that comprise the top 15 global indices rose by 2.1 %, even as the indices' total gross market capitalisation fell 0.5 %.

The four most important factors driving reputation contribution to stock prices around the world were: investor perceptions of a company's long-term investment value (accounting for 13 % of reputational value); quality of management (12.5 %); financial soundness (12.2 %) and; ability to manage people (11.7 %). Based on these findings, other factors such as governance or social responsibility do not appear to play as an important role in delivering value.

Angus Maitland, Co-Chairman of AMO and founder of Maitland/AMO said: *"In a world of growing complexity and rapid-fire stock market volatility, investors are increasingly sensitive to the strength of a*



company's reputation as they assess their models. The new AMO report shows precisely how valuable a corporate reputation can be and provides useful indicators of how specific reputational factors drive those valuations.

When times get tough, it will be the companies with stronger, more balanced corporate reputations that will ride the ensuing storm more effectively, protect value and come out on top. Understanding the triggers that will protect and enhance the value of their company's reputation is crucial to managers of any listed company."

Geographical variations also impacted the value of corporate reputation. Of the 15 leading national stock market indices, the UK's FTSE 100 saw reputational factors contribute 47 % to their overall market capitalisation. Conversely, the Russian market's RTS Index saw the lowest average contribution at just 13.8 %.

The report also explored how investor perceptions of different reputation factors can influence growth in shareholder value. The factors with the greatest potential to boost overall value were: global competitiveness (in which a 5 % increase in positive investor perceptions would deliver an estimated 82 basis points rise in market cap), long-term investment value (+ 76 basis points), innovation (+ 71 basis points) and quality of goods and services (+ 69 basis points).

Findings indicated that investor sentiment towards corporate reputation varied across industries. 'New economy' sectors like technology, telecom and healthcare, displayed the greatest value with technology companies enjoying an average reputation premium of over 43 % over the value implied by financial metrics alone. Established sectors like oil & gas or industrials did not recognise the same benefits, with utilities, only seeing their stock market capitalisations increase 25.2 % on average by reputational value.

Methodology

The report applied valuation techniques developed by Reputation Dividend based in London to measure the extent to which a company's corporate reputation builds, or diminishes, its share price beyond what might reasonably be explained by financial performance. The report used data across 15 national leading stock market indices, combining financial metrics from Bloomberg and Morningstar together with non-financial factors including research-sourced measures of corporate reputation to assess what comprises the value of a listed company. In addition, the report assesses the impact of specific factors driving corporate reputations, drawing on sources including the nine criteria used in Fortune magazine's annual Most Admired Companies report.



deekeling arndt/amo

strategic advisors

Publication

The research “What Price Your Reputation?” can be found on AMO’s website: <https://www.amo-global.com/en/news-insights.html>. This report provides broad-based data findings by market and industry. For details of individual companies’ reputation contribution data, please contact your local AMO office.

About AMO

The AMO network is the leading global partnership of corporate and financial communications consultancies. Our best-in-class approach brings together local-market leaders with unrivalled knowledge of stakeholder perceptions, financial markets and cross-border transactions in the key financial centres of Europe, Asia and the Americas.

Providing sophisticated communications counsel for reputation management, M&A and capital market transactions, media relations, investor relations and corporate crises, our partners have established relationships with many S&P 500, FTSE 100, SMI, CAC 40 and IBEX 35 companies.

AMO, which consistently tops the MergerMarket rankings of PR advisers on global M&A deals, brings a highly experienced international team that can advise clients conducting mission-critical projects on a global scale. Our integrated execution allows us to seamlessly service our clients across a multitude of jurisdictions and a range of corporate and financial communications mandates.

About Reputation Dividend

Reputation Dividend based in London was founded by a team of reputation and brand economists in 2009. It was set up to help companies manage the assets that are their corporate reputations and is the only recognised consultancy focussed on the financial value of those properties measured in hard cash terms. Reputation Dividend is a trusted advisor to many leading companies in the UK, the US, mainland Europe and the Far East. Within that it has worked on variety of blue-chips including Airbus, Amgen, Allstate, Bayer, eBay, GE, GKN, Hikma, Johnson & Johnson, MetLife, Phillips 66, RB, RELX, Standard Life Aberdeen, Takeda and United Technologies.

Contact:

Volker Heck, Deekeling Arndt/AMO

Phone: +49 69 97098-550

Mail: volker.heck@deekeling-arndt.com

www.deekeling-arndt.com