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2024 REPUTATION VALUE /
USA

REPUTATION
DIVIDEND

echo



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01.

EXECUTIVE SUMMARY

In 2024, corporate reputation remains a key driver in the valuation of US companies. Despite political and economic challenges, reputation significantly shapes the market capitalization of S&P 500 firms. This report uncovers where and how reputation bolsters shareholder confidence and highlights its crucial financial and strategic value for businesses in today's dynamic landscape.

Beyond our commissioned reports and assessments for individual companies, herewith is an overview of the general trends, valuations and drivers across the S&P today.

KEY INSIGHTS

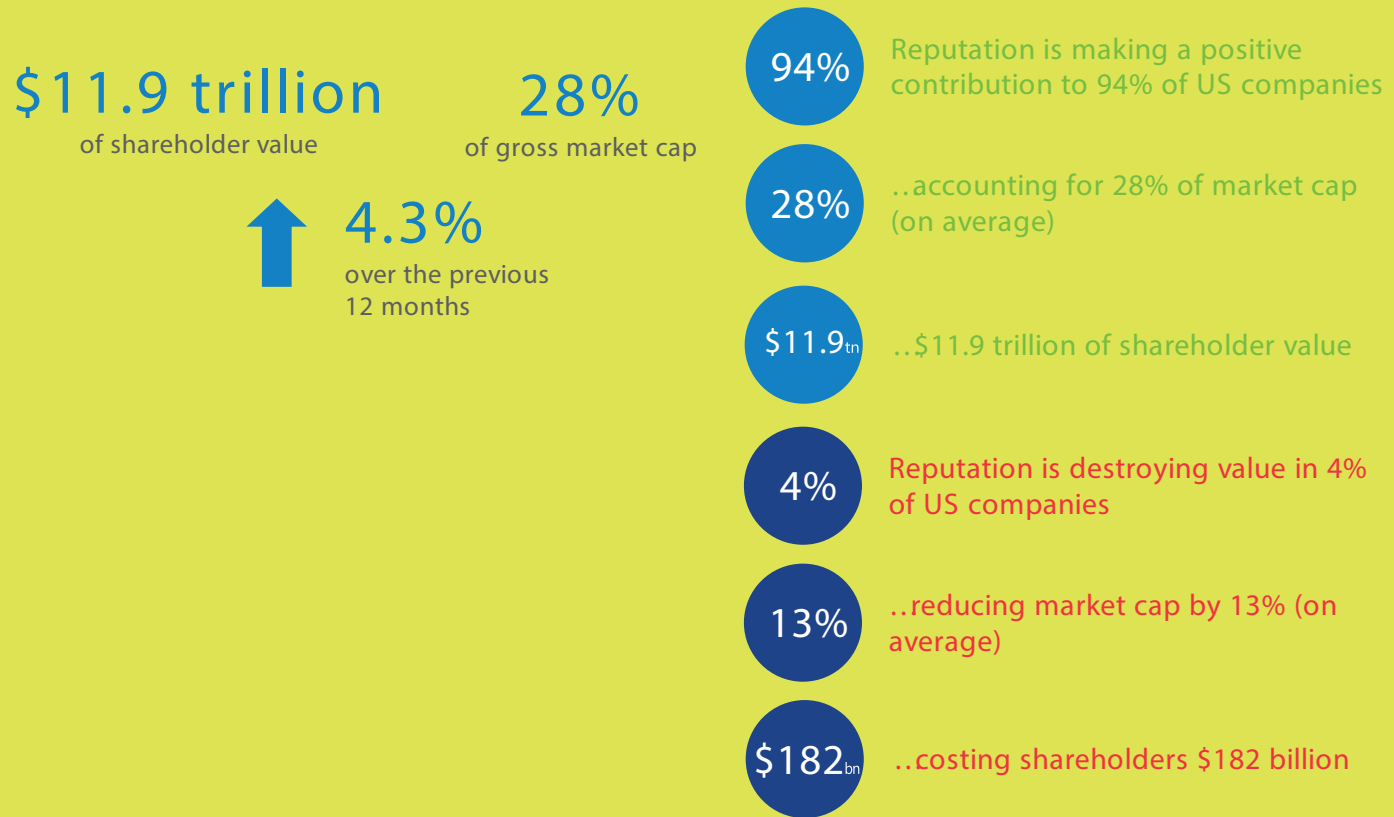
- **Reputation value:** Corporate reputations across the S&P 500 are calculated at 28% of market cap, worth \$11.9 trillion, up by 4.3% in the last year.
- **Stabilizing influence:** Corporate reputations provide a stabilizing force for investors amid political and economic fluctuations.
- **Most valuable reputations:** Tech giants Nvidia, Amazon, Apple, Microsoft, and Alphabet, along with healthcare leaders UnitedHealth Group and Lilly, continue to derive half or close to half their value from the confidence inspired by their corporate reputations.
- **Sectoral differences:** Healthcare, basic materials, and tech stocks greatly benefit from strong reputations, whereas telecoms and utilities have less reputational impact among investors. Conversely, some companies' reputations are detrimental to shareholder value.

02.

REPUTATION'S ROLE IN MARKET CAPITALIZATION

Reputation's contribution to market value, standing at 28% in 2024, remains a critical factor in the valuation of S&P 500 companies, with \$11.9 trillion attributed to reputation, highlighting its lasting importance.

Corporate reputations are to be counted among business's most valuable economic assets



03.

TECH COMPANIES LEAD THE WAY

No surprises that the tech giants - Nvidia, Amazon, Apple, Microsoft and Alphabet - top the list of companies with the most economically impactful corporate reputations across the S&P 500. The market's continued enthusiasm and belief in these groups contributes in excess of 50% to their market capitalization, above and beyond financial reporting alone. Of note is the rise in reputation contribution for Microsoft, and the softening seen for Alphabet.

Against these, healthcare companies UnitedHealth Group and Lilly do well, while John Deere, Caterpillar and P&G complete the top ten for 2024.



amazon.com



UNITEDHEALTH GROUP



Alphabet



CATERPILLAR



Reputation Contribution	Reputation Value
52.6%	\$ 730.2 bn
52.5%	\$ 838.8 bn
52.0%	\$ 1505.7 bn
51.7%	\$ 249.5 bn
50.7%	\$ 1468.2 bn
49.6%	\$ 891.1 bn
48.2%	\$ 288.3 bn
47.7%	\$ 52.2 bn
47.7%	\$ 70.8 bn
47.2%	\$ 168.0 bn

04.

MARKET CONTEXT: RESILIENCE AND VOLATILITY

As we navigate through 2024, the US economy reflects a blend of resilience and volatility. The Federal Reserve's efforts to control inflation through interest rate adjustments have created a challenging environment, with rising borrowing costs impacting both consumers and businesses. Inflationary pressures persist, particularly in housing and energy, while the labor market remains a mixed bag of low unemployment yet significant wage pressures and sectoral shortages. Corporate earnings have been unpredictable, especially in the tech sector, which faces both market cap volatility and regulatory scrutiny. Additionally, global tensions, such as trade issues with China and the conflict in Ukraine, continue to cast shadows over economic stability.

In this context, the value of corporate reputation has never been more critical for companies across the S&P 500. A strong reputation not only builds investor confidence but also enhances customer loyalty and attracts top talent, all of which are essential for sustaining and stabilizing market value.

Companies known for **reliability**, **ethical practices**, and **quality** are more likely to secure premium valuations and exhibit resilience in times of crisis. **Sound external profiles** and **robust stakeholder relationships** further bolster their standing, leading to more stable stock prices. Conversely, those with tarnished reputations may face decreased investor trust, growing opposition, heightened volatility and lower values.

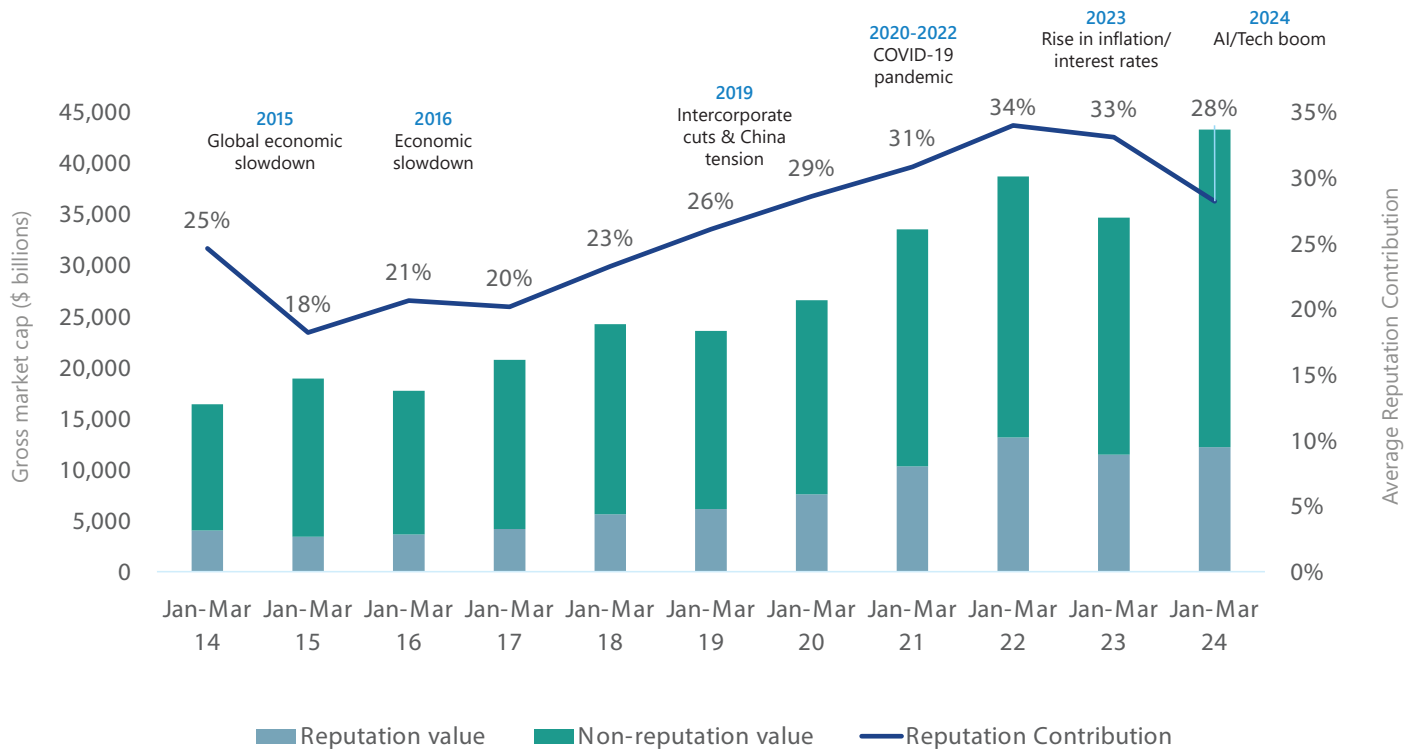
As 2024 unfolds, the interplay between economic pressures and corporate reputation will play a decisive role in determining which companies thrive and which struggle. The ability to maintain a strong reputation will be pivotal in securing and stabilizing value in an unpredictable economic landscape.

These, together with a clear focus on showcasing strengths in:

- **Long-term Investment**
- **People Management**
- and **Financial Soundness**

will be key in protecting and developing that valuable asset that is corporate reputation.



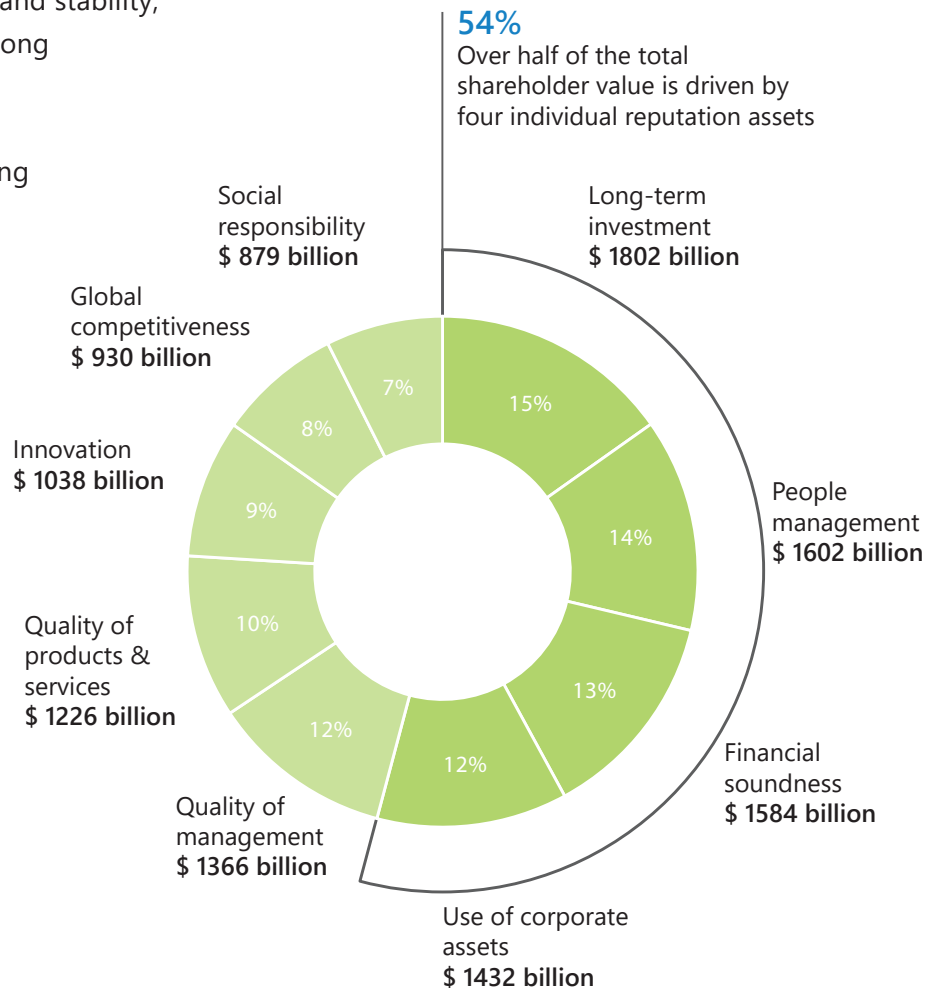


05.

DRIVERS OF REPUTATION VALUE

Several key factors continue to shape corporate reputation and its value contribution:

- **Long-term investment:** Demonstrating the commitment to sustainable growth and stability, reinforcing trust and confidence among investors.
- **People management:** Ensuring a motivated, skilled workforce, fostering a positive company culture and enhancing overall reputation.
- **Financial Soundness:** Reflecting stability and reliability, reassuring investors of the company's ability to manage resources effectively and weather economic uncertainties.



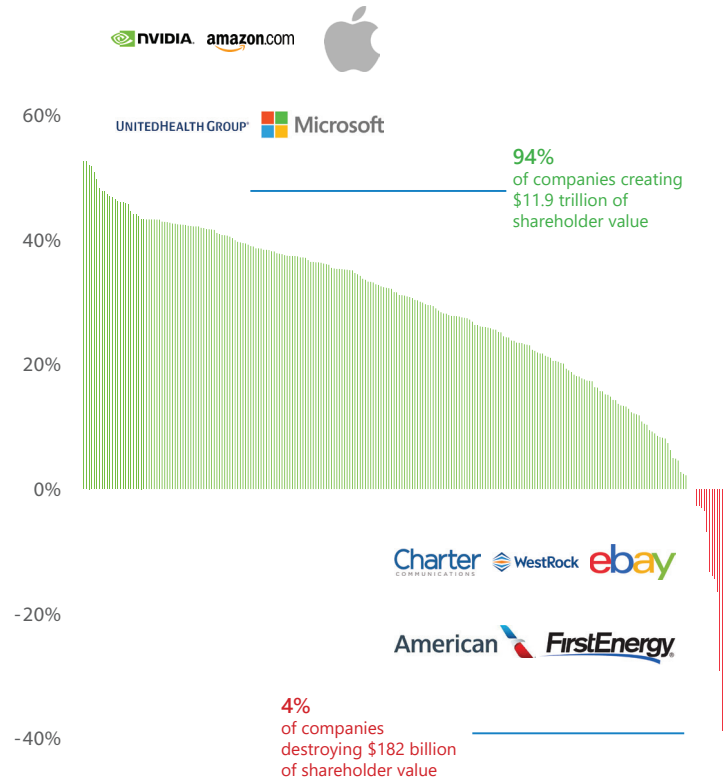
16.

ECONOMIC IMPACT AND SECTOR VARIATIONS

The link between corporate reputation and economic performance is clear, though it varies by company. A significant 94% of firms saw their stock values rise due to strong reputations, adding \$11.9 trillion to market capitalization. On the flip side, 4% faced an average 14% drop in market cap, costing shareholders \$182 billion due to negative reputations. Reputation can drive shareholder value, but only when it aligns with investor interests.

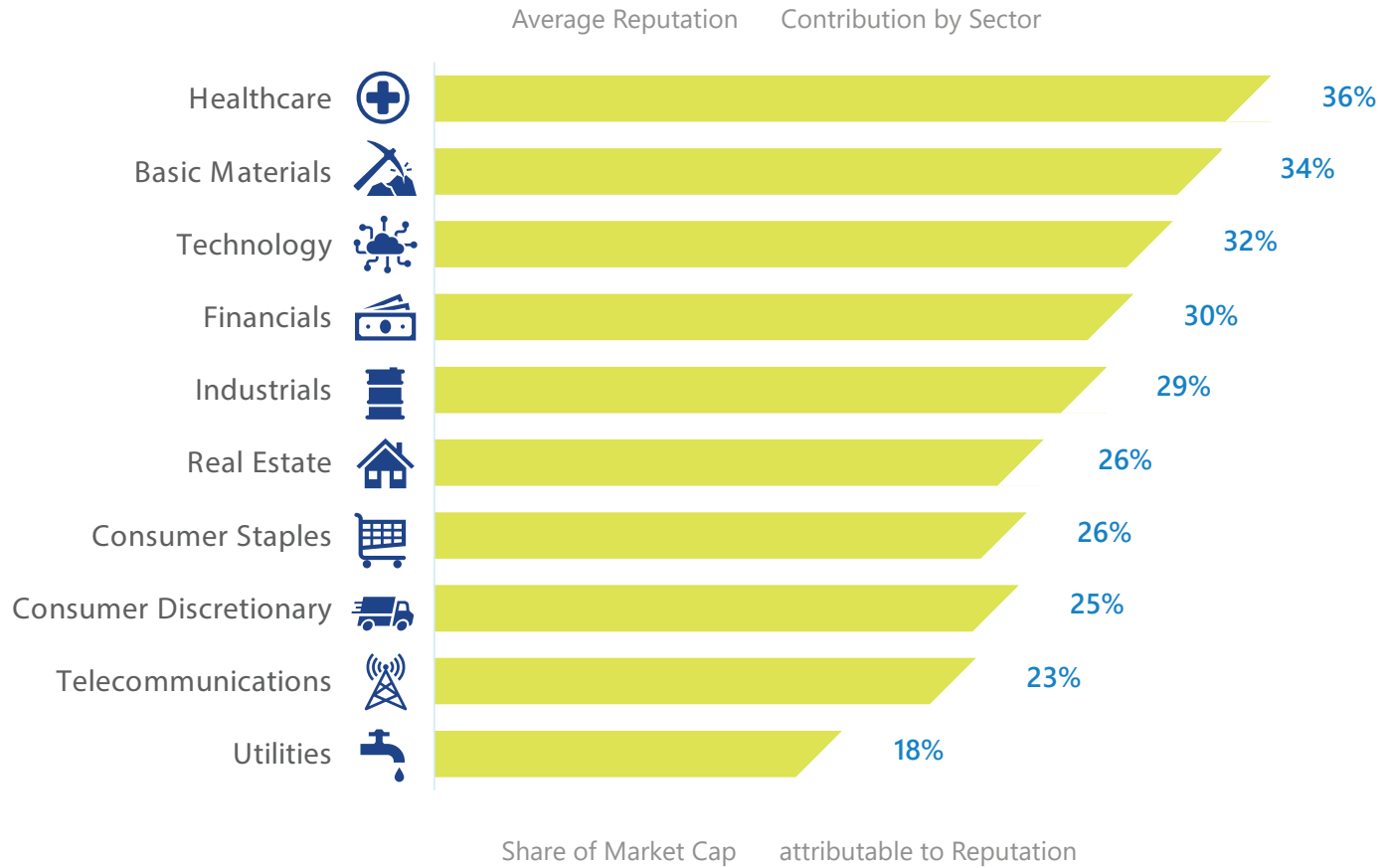
Reputation's impact on market cap also differs by industry sector. Tech giants, basic materials and healthcare companies see the highest benefits, while the harder-to-differentiate sectors like telecoms and utilities experience smaller impacts, contributing 23% and 18%, respectively.

Analyzing individual companies' reputations helps executives identify value growth opportunities by improving their reputation to meet or exceed the industry standard, while for those where their reputation capital is highest across the board, it underscores the value at risk if their reputation declines.



06.

ECONOMIC IMPACT AND SECTOR VARIATIONS



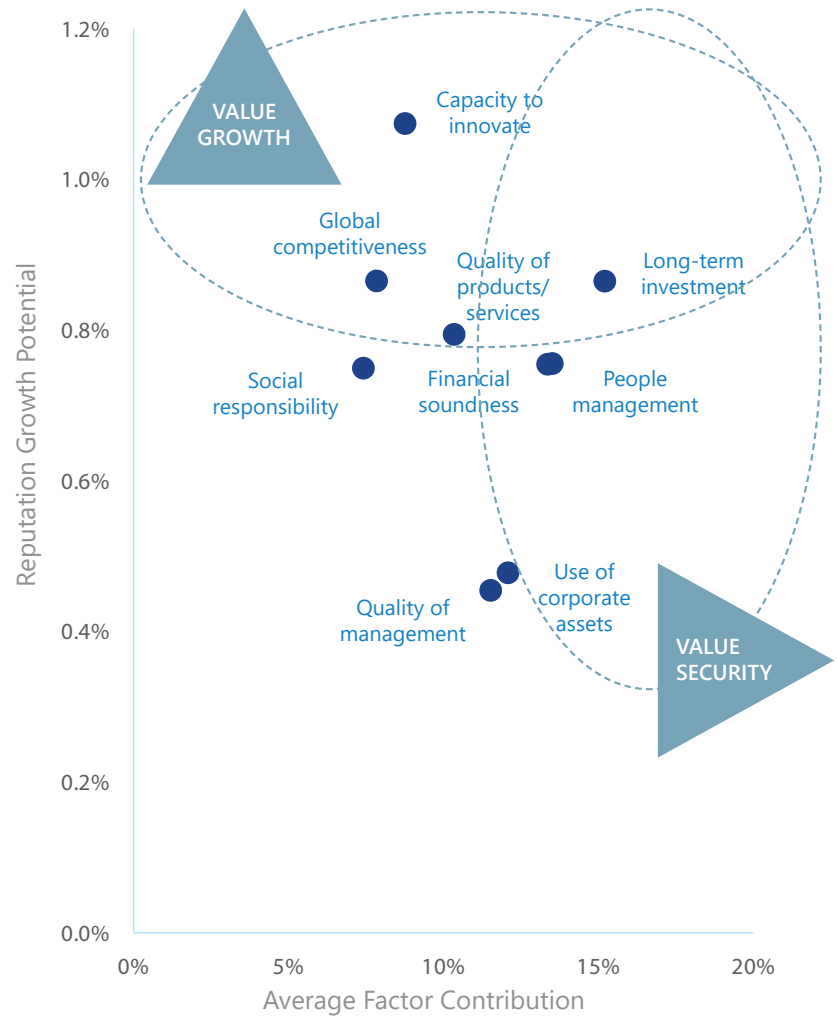
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REPUTATION VALUE MANAGEMENT

The biggest opportunities for managing reputation value effectively come from aligning the most significant current reputation drivers with factors that can boost future value. Companies can make a major impact by improving perceptions in just a few key areas, leading to higher returns on their communications investments.

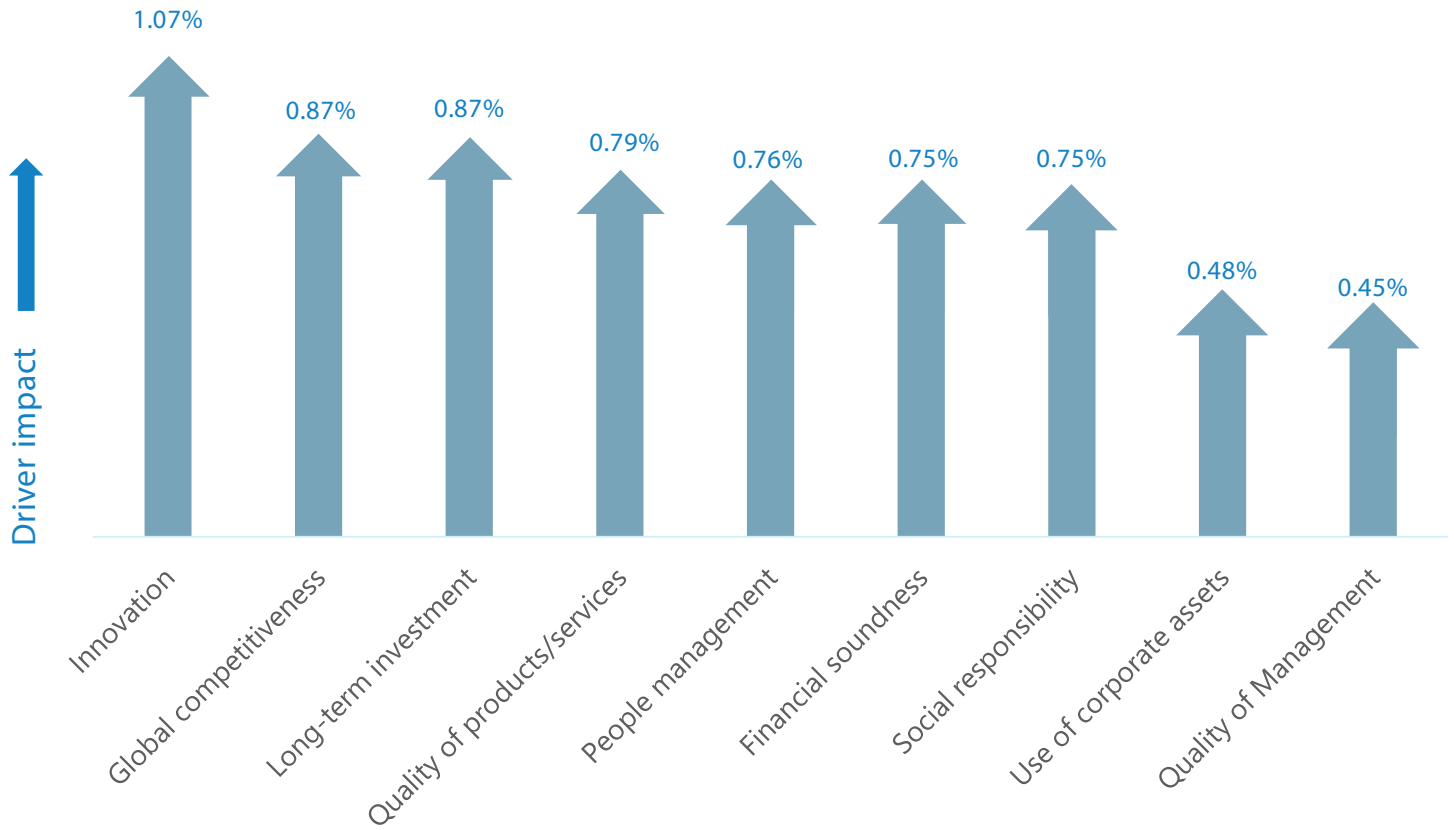
For example, a company with an “average” reputation should focus on balancing its efforts to support its current reputation while also boosting the most promising areas for growth. In this “average” case, improving perceptions of “Innovation” offers the greatest potential for increasing value, more so than “Social responsibility” or “Use of corporate assets.”

Just like a fingerprint, each company has its unique profile, key drivers, and areas for leverage which our analyses uncover.





REPUTATION VALUE MANAGEMENT



CASE IN POINT: FOCUS ON REPUTATION RISK MANAGEMENT AMID NVIDIA'S RISE TO THE TOP

As Echo considers the reputational values and priorities on Nvidia's unprecedented rise to become one of the world's most valuable companies by summer 2024, this places a critical focus on reputation risk management.

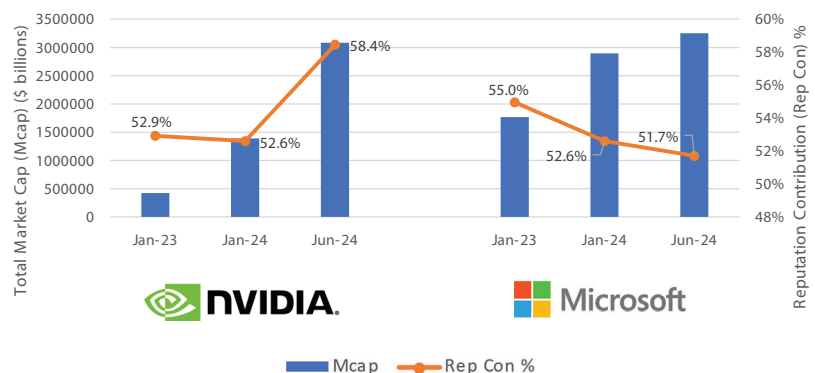
Our financial analyses indicate that Nvidia's elevation has spotlighted the downside of such rapid ascent, emphasizing the importance of managing the immense reputation risk involved. Currently ranked among the most economically potent reputations of US-listed companies, reputation contributes 58% to its marketcap, equating to \$1.8 trillion of shareholder value. Contrasting sharply with Microsoft's strong but not so meteoric reputation contribution, Nvidia's reputation has few places left to go, which is inherently risky.

Nvidia's remarkable success has been fuelled by the surging demand for AI technology. Originally catering to the gaming industry, Nvidia's chips proved to be exceptionally suited for AI applications, positioning the company advantageously amid the AI boom. This foresight has led Nvidia to supply approximately 75% of the global AI chip market.

However, this dominance attracts intense competition. Other semiconductor manufacturers are racing to catch up, which could significantly erode Nvidia's competitive edge. This raises critical questions for investors: Is Nvidia's valuation a bubble poised to burst or will it face a gradual decline?

The reputational risk here is profound. Nvidia must navigate this competitive landscape while maintaining the trust and confidence of its stakeholders. Effective reputation risk management will be crucial in ensuring that the company can sustain its market leadership and continue to deliver value to shareholders.

Reputation Risk Profiles (RRP) compared



09.

REPUTATION VALUE ANALYSIS METHODOLOGY

Reputation Dividend's approach combines traditional valuation techniques with advanced statistical regression to quantify reputation's impact. The methodology involves:

- **Stage 1:** Evaluating over 40 financial and reputational factors across some 500 of the top S&P companies to identify key value drivers.
- **Stage 2:** Applying these insights to individual companies, determining the reputational premium or discount impacting their market capitalization.

10.

CONCLUSION

As we move through 2024, corporate reputation will remain a cornerstone of market value for listed companies. In the face of possible political and economic challenges, it offers stability and confidence to investors. Companies that strategically manage and enhance their reputation will be better positioned to navigate uncertainties and achieve sustainable growth by focusing on evidence-based priorities.

This report provides broad-based data findings across the S&P and by industry. For details of individual companies' reputation contribution data, please contact us.

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WHAT OUR CLIENTS SAY

"... research when planning the merger of Shire and Baxalta provided fresh insight into the respective reputation assets and revealed tangible opportunities for building an enhanced combined reputation. Importantly, the work resonated with leaders of both companies, thereby providing a credible framework for collaboration" - Michele Galen, SVP & Global Head, Shire Communications and Public Affairs

"A tool that actually makes a difference in our practice" - Fortune Top 50 CCO

"...this analysis has been extremely helpful from my point of view to start the debate about what reputation is and the value of approaching it properly" - Chris Fox, Director of Communications, GKN

For a detailed analysis or further discussion on reputation value and risk, contact



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