



2024 REPUTATION
VALUATION /
UK

REPUTATION
DIVIDEND

echo

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EXECUTIVE SUMMARY

In the evolving landscape of 2024, corporate reputation continues to play a pivotal role in the valuation of UK companies. Despite political change and economic headwinds, the influence of reputation on the market capitalisation of FTSE 350 companies remains considerable. This report explores the impact of reputation on shareholder confidence, and the dynamics of its tangible financial value and strategic importance for business.

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

KEY INSIGHTS

- **Reputation's market influence:** At the start of 2024 reputation accounted for 30% of FTSE 350 companies' market capitalisation, equating to £719 billion. This marks a 3.8% increase from the previous year.
- **Protection against uncertainty:** Political and economic challenges have reinforced the importance of corporate reputation as a stabilising factor for investors, guiding confidence and investment decisions.
- **Most valuable corporate reputations:** Major global companies - Shell, AstraZeneca, BP, Diageo and Unilever - continue to lead with over 50% of their value driven by the confidence inspired by their corporate reputation.
- **Variations span companies and sectors:** With some companies losing value due to their reputations, the study highlights the Energy and Healthcare sectors as having the highest impacting reputation value (and risk), while companies in sectors such as Telecoms and Real Estate feature the least performing reputations.

02.

REPUTATION'S ROLE IN MARKET CAPITALISATION

Reputation's contribution to market value at 30% in 2024 remains a critical factor in the valuation of FTSE 350 companies, with £719 billion attributed to reputation underscoring its enduring significance.

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

**Accounting
for 30%**
of gross market cap

**Worth £719
billion**
of shareholder value

 **Up 3.8%**
In the past 12 months

93%

Reputation is making a positive contribution to 93% of UK companies

8

ESG goes negative this year, reducing value by -£8 bn

6%

of UK listed companies have reputations so poor as to destroy value...

11%

...reducing market cap by 11% (on average)



4.6

costing shareholders -£4.6 billion

03.

GLOBAL PLAYERS LEAD ON REPUTATION CONTRIBUTION

The UK's leading global companies – Shell, AstraZeneca, BP, Diageo and Unilever – top the list of FTSE companies with the most economically impactful corporate reputations. The market's continued and steadfast confidence in these organisations contributes in excess of 50% to their market capitalisation, above and beyond financial reporting alone. Industrial group Ashtead Group, retailers Tesco and Next along with BAE Systems and RioTinto round out the top ten listing.

	Reputation Contribution	Reputation Value
	53.7%	£ 85.5 bn
	53.3%	£ 88.1 bn
	50.5%	£ 39.5 bn
	50.2%	£ 31.2 bn
	50.2%	£ 47.7 bn
	50.2%	£ 11.0 bn
	48.3%	£ 10.1 bn
	46.6%	£ 5.0 bn
	46.3%	£ 16.4 bn
	46.1%	£ 41.4 bn

04.

MARKET CONTEXT: POLITICAL AND ECONOMIC HEADWINDS

At the start of 2024, the UK has faced significant political and economic turbulence. New government instability/change, regional tensions, post-Brexit trade adjustments, and immigration policy changes contribute to political uncertainty. The economy, high inflation, a cost-of-living crisis, slow growth, labour market challenges, currency volatility, and financial market instability complicate the landscape. Ongoing Brexit-related supply chain disruptions further impact business operations. Navigating these challenges is crucial for companies to maintain investor confidence and sustain long-term value. In this context, reputation serves as a critical buffer, providing investor assurance and mitigating market volatility.

Navigating Uncertainty and Demonstrating Resilience

From 2008 to 2024, the interplay of global and domestic factors, particularly financial crises, political events, and global pandemics, has shaped the UK's economic landscape profoundly.

In the aftermath of recent crises, several factors can be seen to drive confidence in the market, reflecting strong leadership and

strategic decision-making, often ahead of traditional financial indicators. As we move to a new period of hoped-for stability under new government, we see key themes emerging in support of building trust and support in the market:

Key Themes

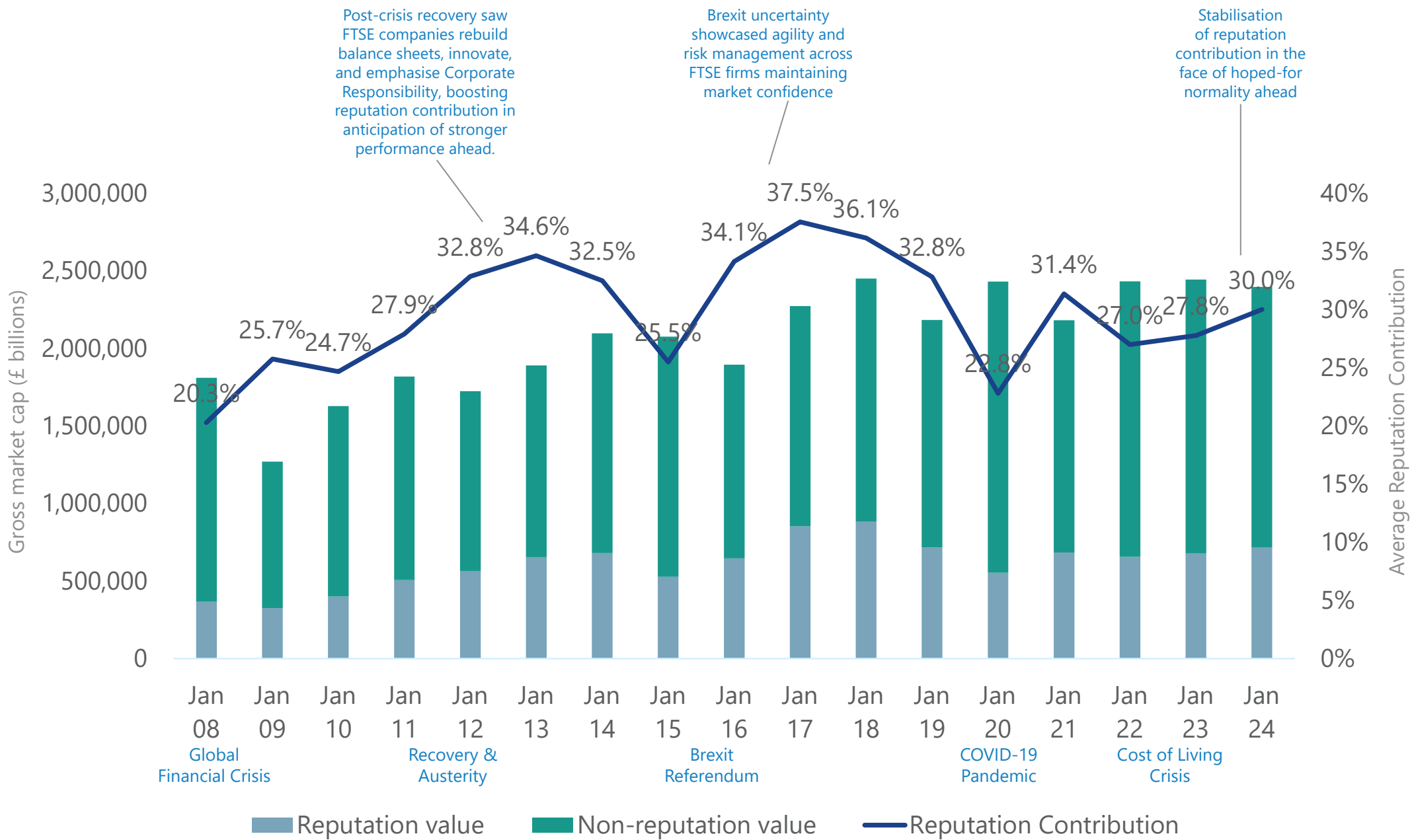
- **Leadership confidence:** leadership confidence in navigating economic challenges and seizing opportunities.
- **Strategic foresight & resilience:** anticipating market trends, investing in innovation, and adapting to changing conditions.
- **Sustainability:** Ongoing commitment to sustainability to align corporate values with broader societal expectations.
- **Communication and transparency:** Clear and proactive communication strategies to manage stakeholder expectations and maintain trust.

These, together with a clear focus on showcasing

- **Long-term Value Potential**
- **Quality of Products & Services**
- **Financial Soundness**
- and **Quality of Management**

will be instrumental in building and maintaining that valuable asset that is corporate reputation.

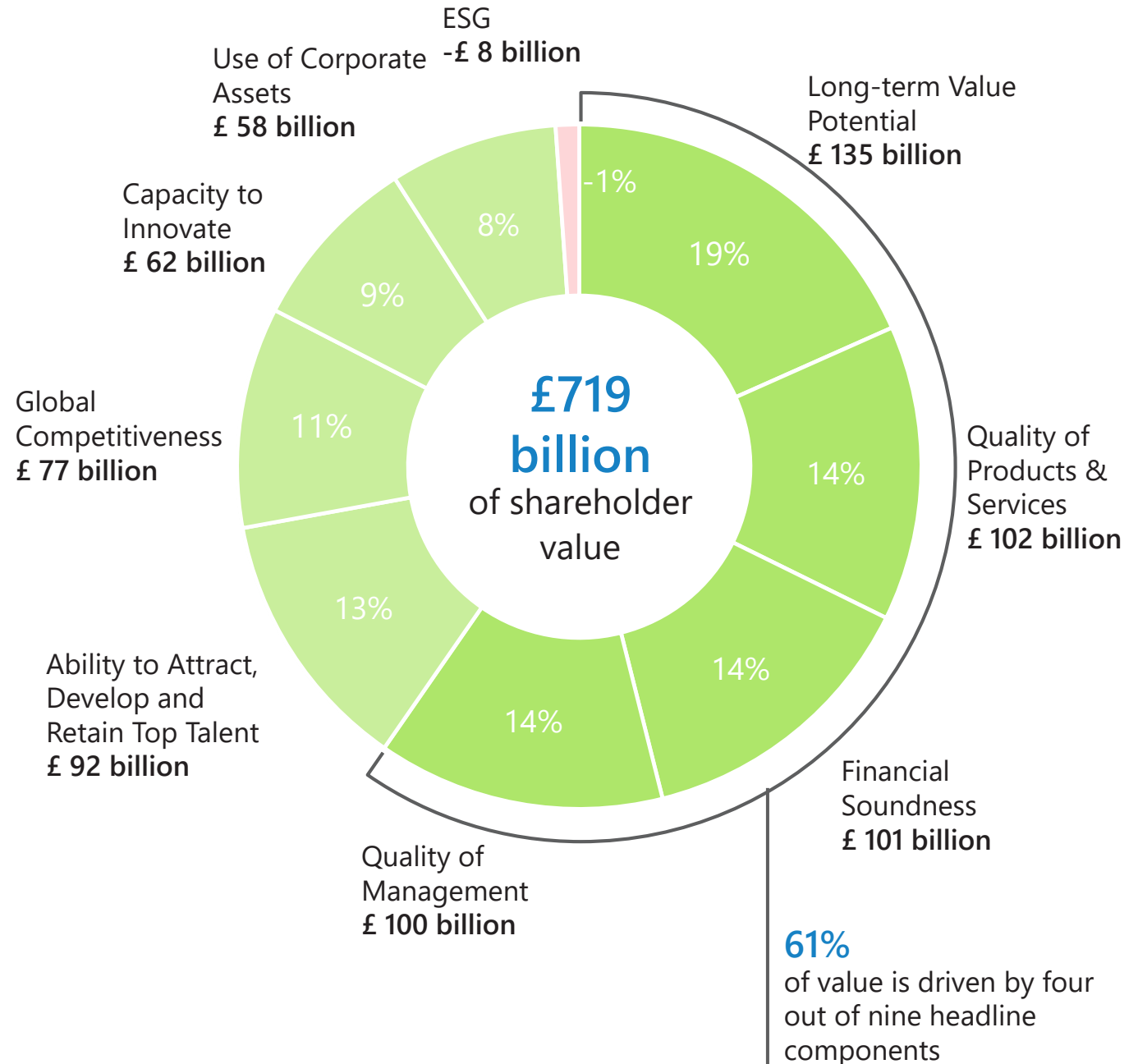
04.



DRIVERS OF REPUTATION VALUE

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

- **Long-term Value Potential:** Investors prioritising corporate strategies that demonstrate resilience and sustainability in the face of future uncertainties.
- **Quality of Products and Services:** This remains a leading contributor to corporate reputation, as excellence in offerings sustains customer trust and loyalty.
- **Financial Soundness:** Recognition of robust financial health and prudent asset management continues to be crucial for investor confidence.
- **Quality of Management:** Effective leadership is essential for navigating uncertainties and ensuring consistent performance.
- For the first time since tracking, **ESG appears as a negative driver** of value as the market realises the costs and investments required which for many companies have a knock-on effect on short-term results.

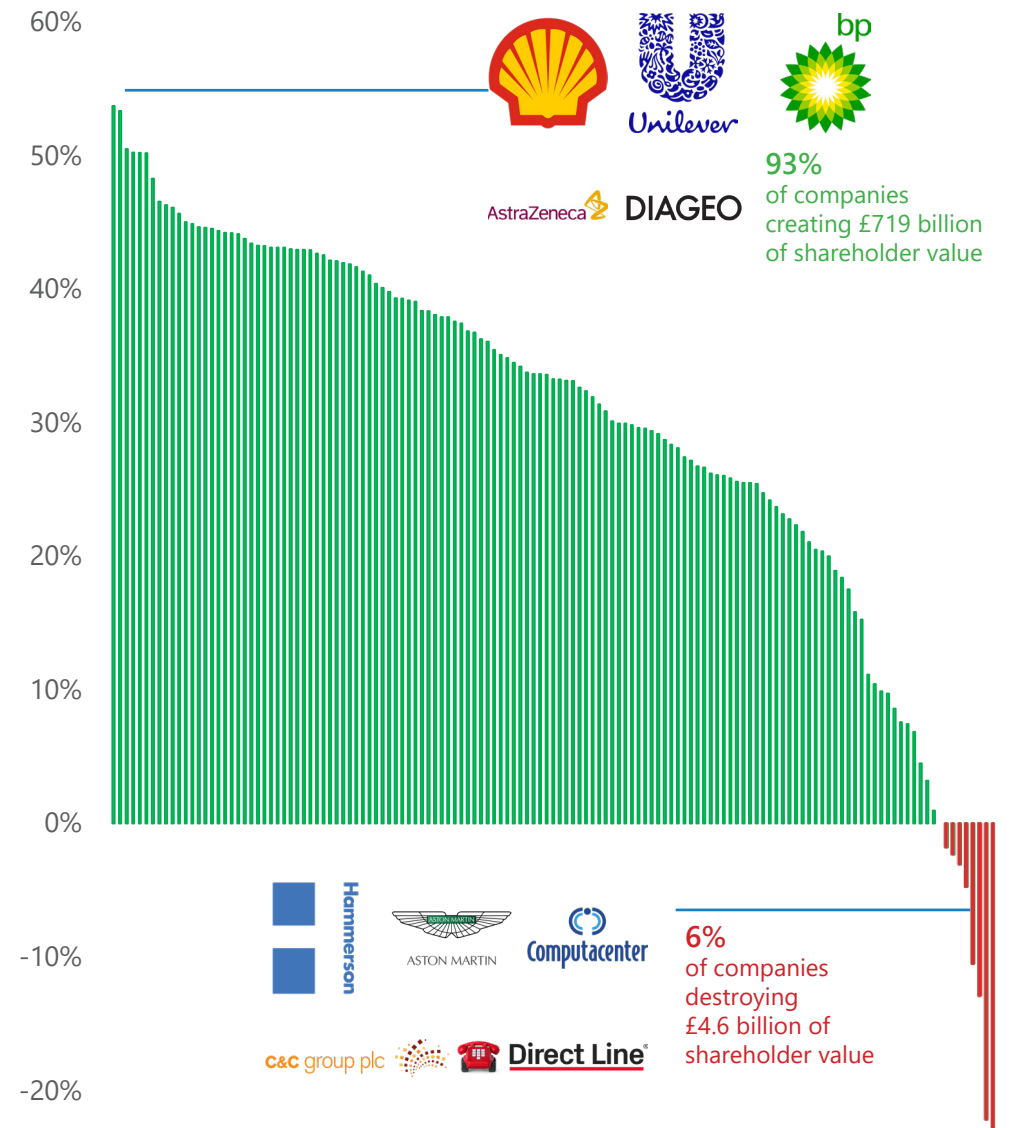


ECONOMIC IMPACT AND SECTOR VARIATIONS

The evidence of the economic impact of reputation is clear, though individual company performance varies. 93% of the companies reviewed saw their stock values bolstered by reputations, accounting for £719 billion of market capitalisation. Conversely, 6% saw a total reduction of £4.6 billion due to negative reputations. Thus, corporate reputation can be a major contributor to shareholder value, but only when it is working and properly aligned to investor interests.

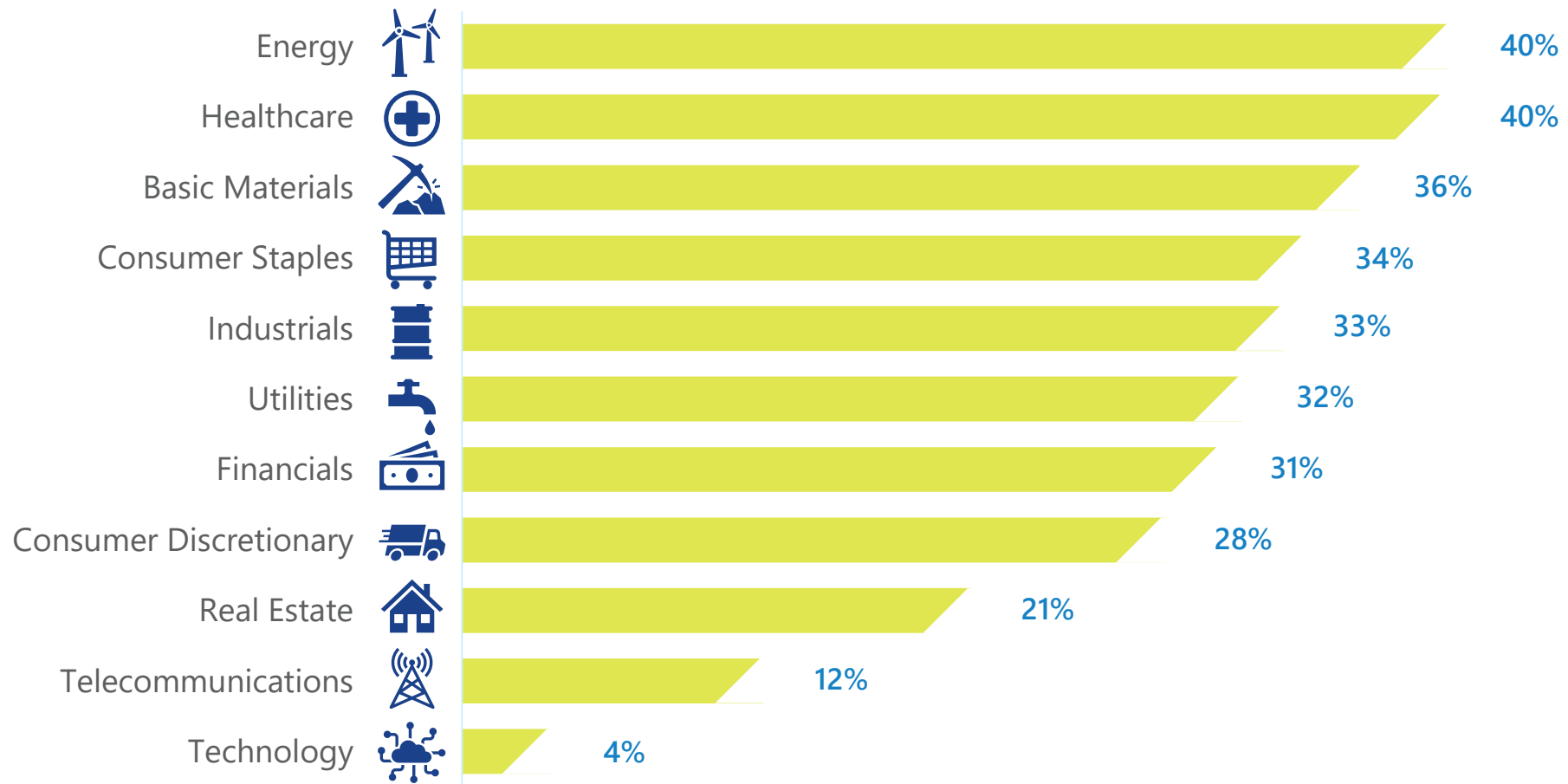
The average contribution of corporate reputation to market cap also varies widely across industry sectors. Leading sectors, critical to the UK's economy and societal well-being, such as Energy and Healthcare, see a 40% contribution over the value implied by financial metrics alone. In contrast, sectors under more pressure, like Telecoms and Real Estate, see contributions of 21% and 12%, respectively.

These industry averages serve as a crucial benchmark for analysing individual companies' reputations. Executives at lower-ranked companies can identify value growth opportunities by improving their reputation to meet or exceed the industry standard. For companies currently above the industry norm, it



ECONOMIC IMPACT AND SECTOR VARIATIONS

Average Reputation Contribution by Sector



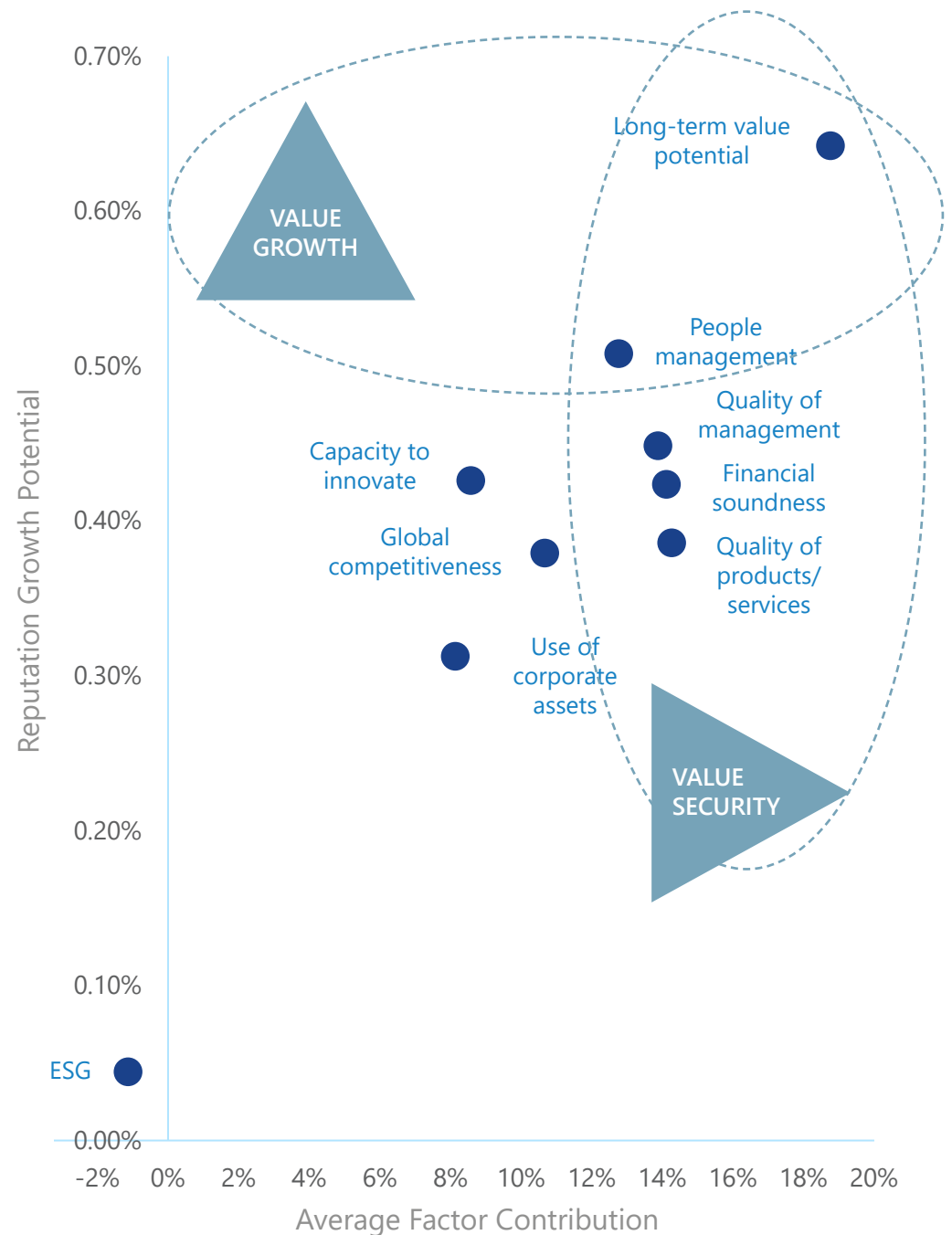
Share of Market Cap attributable to Reputation

REPUTATION VALUE MANAGEMENT

The greatest opportunities for effective reputation value management lie in aligning the sources of highest current reputation contribution with the factors that can leverage the largest gains in future value. Companies can achieve a disproportionate impact by changing perceptions in a small number of reputation drivers, obtaining higher returns on communications investment.

For instance, the “average” company displaying an “average reputation value driver profile” needs to balance communications to support existing reputation value with the most productive sources of growth. In this specific case, enhancing perceptions related to “long-term value potential” ranks highest as a value contributor and offers significant leverage potential.

Like one’s thumbprint, every company has its own profile, key drivers and levers.



CASE IN POINT

As a case in point, the Britvic and Carlsberg merger provide useful guidance on securing value and driving value ahead.

Both major leaders in the Beverages Sector hold significant reputational capital, albeit with Carlsberg's being marginally more potent at 38% to Britvic's 35%. Evidence points to the fact that the reputation profiles of both are likely to play a crucial part in the merger's success in supporting confidence in the market as the deal goes through.

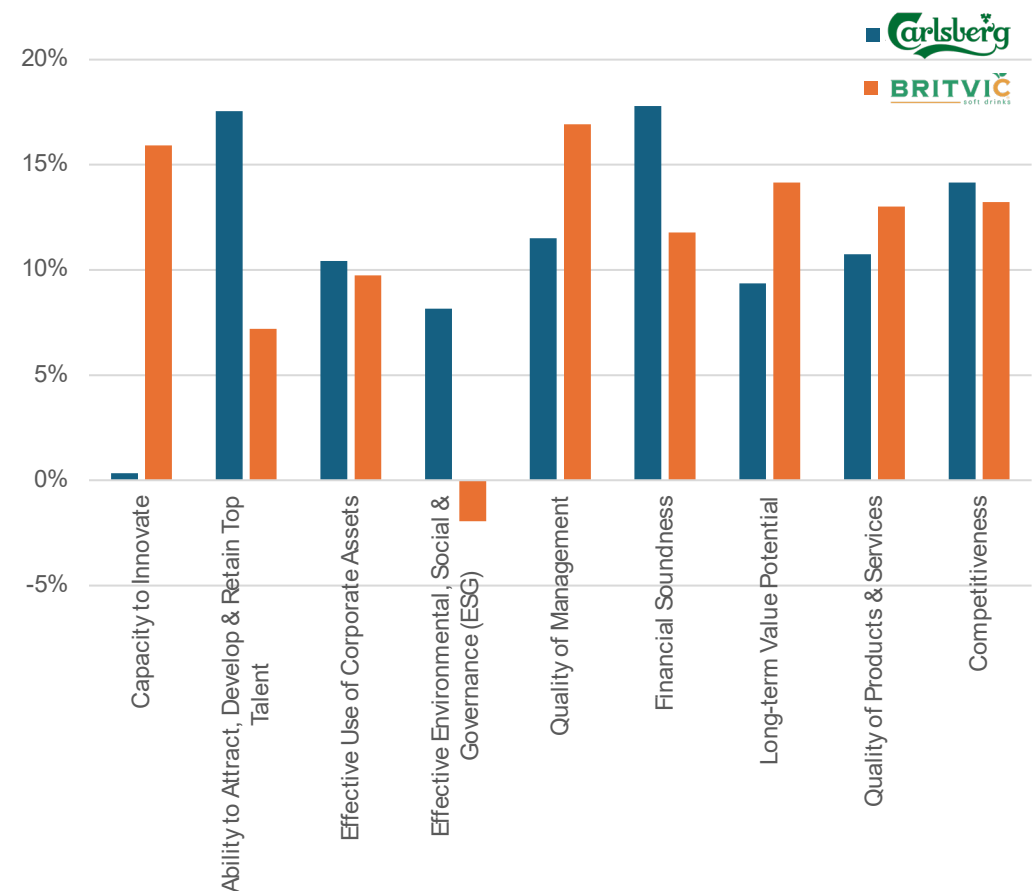
Britvic, with its strong reputation for innovation and quality of management, has consistently leveraged its corporate responsibility initiatives to enhance brand value and consumer trust. On the other hand, Carlsberg's reputation has been fortified by its commitment to financial soundness, talent management and global heritage, along with recent strides in environmental sustainability and corporate governance.

As these two entities integrate, their combined reputational assets could create a powerful synergy. The challenge will be to align their particular strengths and mitigate relative weaknesses – management and innovation for Britvic, financial and global

prosess for Carlsberg – into a cohesive strategy that reinforces stakeholder confidence and market strength.

The evidence suggests that this merger has the potential to set a new benchmark in the beverage industry, provided that their reputational management is handled with the same rigor as their operational and financial integration. There is £872m upside to the marketcap if they get it right, or up to a cost of -£2,094m if they don't...

Reputation Risk Profiles (RRP) compared



9.

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 more than 250 companies to identify key value drivers.
- **Stage 2:** Applying these insights to individual companies, determining the reputational premium or discount impacting their market capitalisation.

10.

CONCLUSION

As we move through 2024, corporate reputation will remain a cornerstone of market value for UK companies. Amidst 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 FTSE 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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