

Lessons from Covid - Corporate Reputations drive outperformance in volatile markets



July, 2021

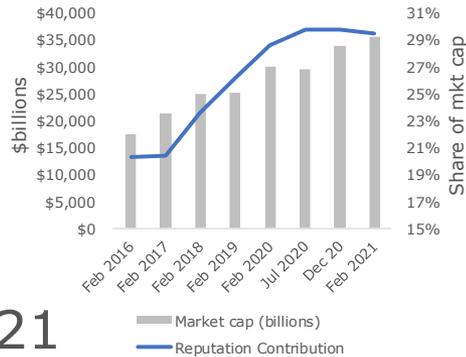
The 2021 US Reputation Value Report

The bottom line...in sum

Investor confidence inspired by corporate reputations contributing

29.5% of market capitalization*; contribution standing at **\$11.4 trillion**

After 5 years of expansion reputation impact **turned down** in 2021



* S&P 500

Value delivered depending on how well companies match their reputation assets to investor interest

Given present trends...2/3rds of companies looking at average **gains of \$1.6 bn** by year end, 1/3rd at **losses of \$1.0 bn**

Reputation Valuation - How

14 years of measurement, and counting

Quantification of impact of confidence inspired by corporate reputations

Focused on difference between market cap and value explained by financials

Statistical analysis of hard data -
Bloomberg, Morningstar and *Most Admired*

Results compiled company by company



Top 10 reputation assets of the S&P 500

	Reputation Contribution	Change in rank position	Reputation value (at June '21)	Rank market cap.
	56.9%	+1	\$1,234 bn	1
amazon	56.4%	+3	\$957 bn	3
Alphabet	55.9%	+3	\$924 bn	4
Microsoft	55.3%	-3	\$1,079 bn	2
<i>Johnson & Johnson</i>	53.3%	+6	\$231 bn	10
TARGET	52.6%	+16	\$61 bn	80
Walmart	52.3%	+21	\$204 bn	11
	52.2%	+6	\$112 bn	33
UNITEDHEALTH GROUP	52.1%	-5	\$197 bn	14
VISA	51.4%	-1	\$263 bn	8

Confidence inspired by company reputations directly supporting nearly \$3 in every \$10 of market cap.

Underpinning shareholder value as QE, recovery stimulus and low interest rates continue to pump the wall of cash

Reputation is a net contributor in 91% of companies, but in the other 9% it is a drain

Early signs of corporate financials returning to some normality as forward indicators gather momentum

Importance of reputation set to continue while volatility remains and investors see few asset alternatives

Shareholder value in S&P 500
(\$38.8 trillion of market cap.*)



- Reputation value
- Non reputation value

* June 2021

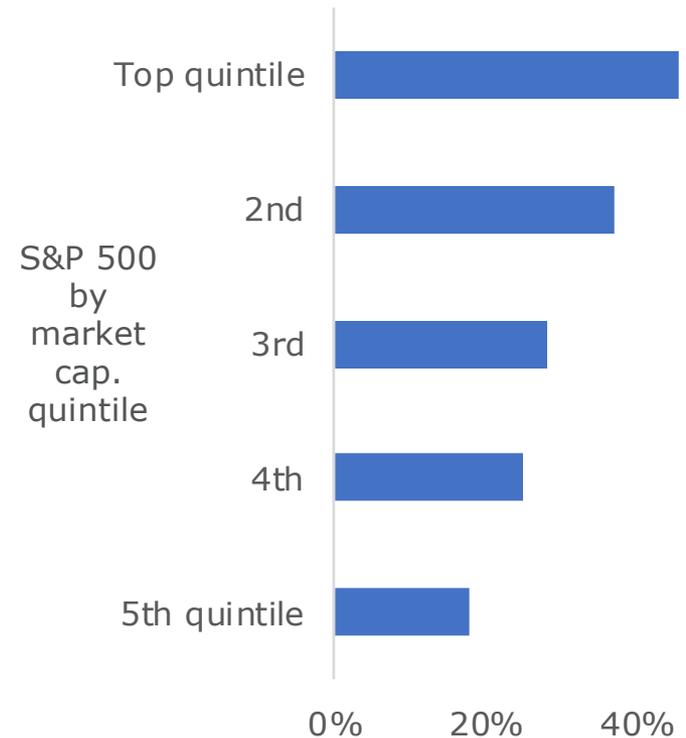
Company size makes a difference

Scale attracts attention,
encourages examination and
breeds familiarity

Rise of 'non professional' investors
and reduction in (professional)
analysts scaling back closest
examination and building
asymmetrical impact

Size is the first default driver of
reputation impact, and value, but
it is only part of the story

Average Reputation
Contribution - by company size



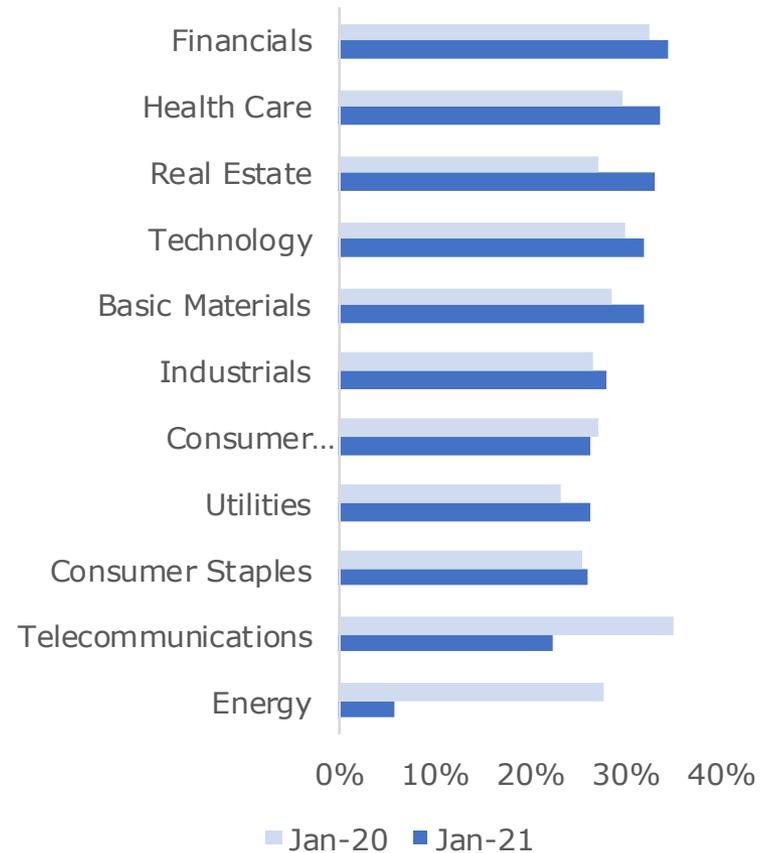
Sector makes a difference...

Fixed and given

...subject to cyclical pressures
eg. Energy – uncertainty
inviting closer examination of
the numbers
eg Real Estate – optimism
ahead for earnings delayed

...but influence is passive rather
than active

Average Reputation Contribution
- by industry sector



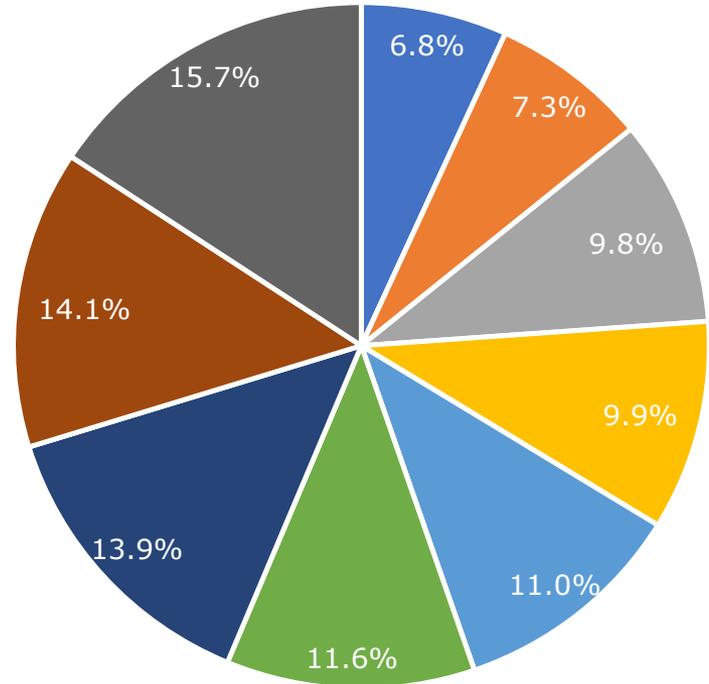
Reputation structure is the difference that makes the difference

Perceived strengths ... and weaknesses

Dynamic rather than fixed
 Contributions rising – *financial soundness, use of corporate assets and people management*
 Contributions falling – *innovation, quality of management, and long-term value*

...but stand out alone is not enough, companies need to stand out where it matters most to investors

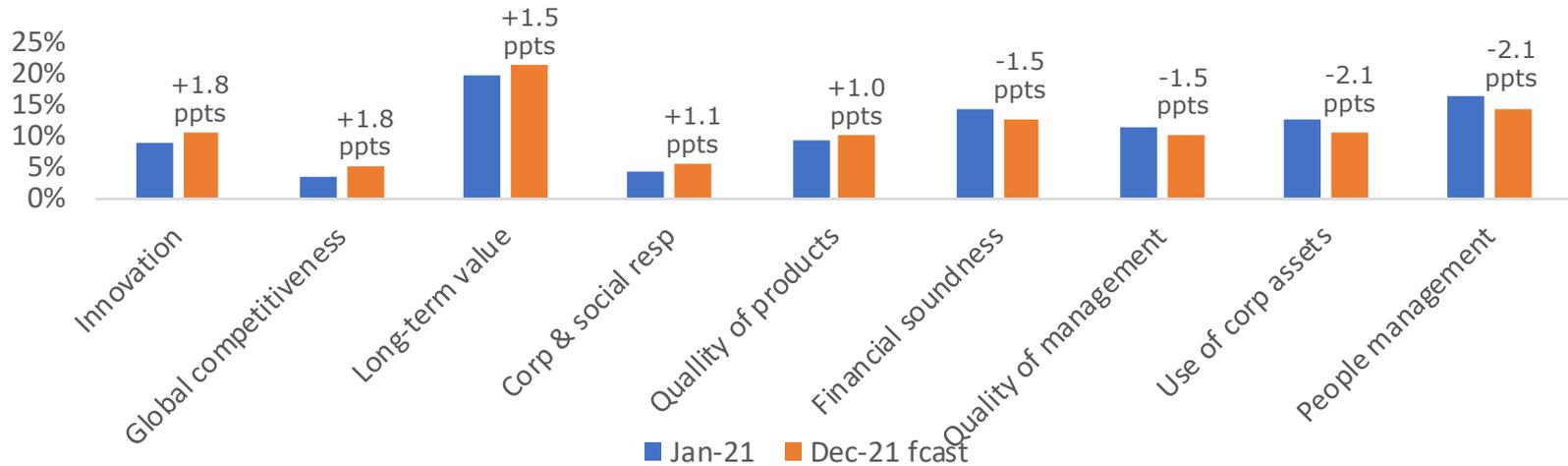
Reputation value in the S&P 500 (\$11.4 trillion)



- Global competitiveness
- Innovation
- Quality of management
- Financial soundness
- Long-term investment
- Social responsibility
- Quality of products/services
- Use of corporate assets
- People management

Key to optimizing reputation impact lies in being alert to changing investor interest

Evolving investor interest – year end forecast



Changes will create up to \$400 billion* of shareholder value across the S&P, 1.1% if the total market cap in the index

Likely winners

Probable losers

* All else being equal

Reputation impact is not fixed, it can rise, and it can fall

Almost 1 in 4 companies in a different band* compared with a year ago

More than 1 in 3 companies in a different band compared to three years ago

19.2% of companies 'slipped' in the last three years ... but 16.3% have grown the impact of their reputations

Proportion of companies...	1 year ago	2 years ago	3 years ago
...on a higher track (ie. slipped)	11.5%	17.3%	18.6%
...on a lower track (ie. grew)	11.9%	18.6%	19.0%
...on a different track	23.4%	35.9%	37.6%

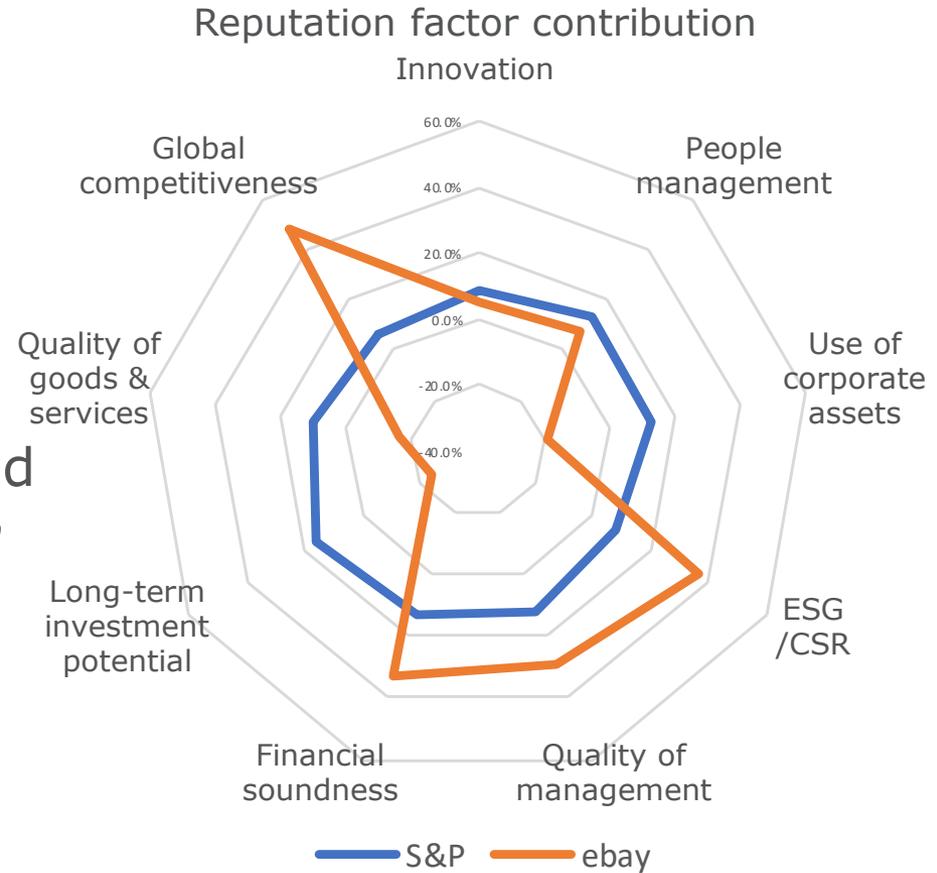
* Defined as top, middle and bottom 1/3rd by Reputation Contribution

Corporate reputation is a strategic asset to be secured and tapped for value growth - for example, ebay

Reputation material but 'under-performing'; Contribution 18.0%
cf. S&P average 29.5%
cf. sector average 26.5%

Strengths in *global comp, ESG /CSR, financial soundness* and *quality of management* outweighed by weaknesses in *long-term value* and *use of corporate assets*

Failure to coalesce reputation around the qualities that matter* costing ebay up to US\$3 billion, 7% of the company's market cap.



* Setting currently 'negative' factor values to neutral

Reputation Value Analysis can help to mobilize corporate reputation for the challenges ahead

Objective evidence as to strengths to be secured and growth opportunities to be prioritised

Timely insight into your company's reputation to ensure that it is suitably deployed for the near, medium and longer term

A means to power up communications to better manage the strategic role of your company's reputation

And...the opportunity to act sooner rather than later



Reputation Dividend ... measuring the economic impact of corporate reputation for more than 10 years



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

"...this has been extremely helpful in the debate about what reputation is and the value of approaching it properly" - Chris Fox, Director of Communications, GKN

"... research when planning the merger of Shire and Baxalta provided fresh insight into the respective reputation assets and revealed 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

Valuing Corporate Reputation To Secure Shareholder Value

Thank you

Simon@reputationdividend.com

Sandra@reputationdividend.com / Sandra.macleod@echoreserch.com