Trademark Valuation Multiples

MARKABLES®

Project / Case Reference	Airlines
Retrieval Date	March 27, 2014
Company / Business / Brand	**Iberia Líneas Aéreas de España, S.A. Operadora (Iberia)**

Markables ID	26100		
valuing / reporting entity	International Consolidated Airlines Group, SA		
year	2011		
headquartered in	Spain	currency	EURO (EUR) million
reason for valuation	PPA - share deal	valuation concept	fair value

company / business / brand — **Iberia Líneas Aéreas de España, S.A. Operadora (Iberia)**

main activities	transportation; airline		
home country	Spain	business territory	international

description

Iberia Lineas Aereas de Espana SA (Iberia), together with its subsidiaries, provides air transportation of passengers and cargo on routes worldwide, between Spain and Europe, and between Europe and Latin America. The company also offers aircraft maintenance services, including inspections and repairs of airframes, aircraft engines, and components; and handling services in airports, such as servicing aircraft, handling baggage, and serving passengers. In addition, it provides IT and telecommunications services, and technical assistance services, such as IT systems development processes, maintenance of IT systems and data processing centre, user care and support, and management of procurement of IT products and services. The company was founded in 1927 and is based in Madrid, Spain. Since 2011 and as a result of the merger between British Airways and Iberia, Iberia Lineas Aereas de Espana SA operates as a subsidiary of International Consolidated Airlines Group, S.A. With more than 80 years of history, Iberia is the Spain's largest air transport group and the fourth-largest in Europe. It is also the leading airline on routes between Spain and Latin America, flying almost daily to 18 destinations in the region. The airline flies to 102 destinations in 37 countries and serves 193 destinations through codeshare partners. At the end of December 2011, Iberia had a fleet of 103 aircraft in service. Iberia’s hub is located in Barajas, the main airport serving Madrid and Spain which has been designed to handle 70 million passengers annually. Iberia operates out of the newest terminal at the airport, Terminal 4, which was inaugurated in February 2006 and is one of the world’s largest airport terminals. Iberia is a founding member of oneworld, the alliance of airlines around the globe, which together serves some 800 destinations in 150 countries. The breakdown of Iberia’s 2010 revenues is 37% from long haul passenger, 18% from medium haul passenger, 14% from domestic passenger, 5% from other passenger, 6% from cargo, 7% from maintenance, and other (handling, booking systems, commissions, etc.) In 2010, to meet the requirements of its merger with British Airways, Iberia made a valuation of its brand based on the Relief from Royalty method, which values the revenues that the proprietor of the brand would obtain from licensing it to a third party, obtaining a result of €212 million at 30 June 2010. In the PPA performed after the merger in 2011, the final value allocated to the Iberia brand was €306 million.

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trademark Value	EUR 306 million	trademark useful lifetime in years	indefinite
trademark revenues	EUR 4,856 million (revenues from sales of products or services)		
profit	EUR 493 million (EBITDA)		
trademark royalty rate as reported	0.64%		
customer value	EUR 253 million		
value of other intangible assets	EUR 518 million		
goodwill	EUR 249 million		
tangible assets	EUR 5,653 million		
enterprise value debt-free	EUR 2,490 million	total assets	EUR 6,979 million
comments	customer value relates to the Avios loyalty programme (formerly AirMiles); royalty rate used in initial trademark valuation as reported in annual report 2011		

enterprise value multiples

enterprise value / revenues	0.51x	enterpise value / profit	5.05x (EBITDA)

trademark in relation to other assets	**enterprise value = 100%**	**total assets = 100%**
trademark / brand (indefinite)	12.3%	4.4%
customer relations (10 years)	10.2%	3.6%
other intangible assets	20.8%	7.4%
goodwill	10.0%	3.6%
tangible assets	227.0%	81.0%
(total)	(280%)	
	100%	100%

trademark multiples – revenue based

trademark value / revenues in %	6.3%	reported royalty rate	**0.64%**

trademark multiples – profit based

trademark profit split [2]	4.4%

valuation parameters

reported discount rate	10%	reported growth rate	2.5%
corporate tax rate (Spain)	30%		

[1] implied royalty rates

Implied royalty rates must not be confounded with reported or effective royalty rates. Implied royalty rates are hypothetical rates which the appraiser might have applied under certain likely assumptions to arrive at the reported trademark value. Such assumptions include revenue growth rates, discount rates, and tax rates. MARKABLES calculates implied royalty rates in a cautious and in an optimistic scenario, by applying different assumptions of discount rates and growth rates to future revenues. These two scenarios represent the first and third quartile range of assumptive valuation parameters typically observed in PPAs and trademark valuations. For a detailed explanation of implied royalty rates, please go to the glossary page on www.markables.net.

[2] trademark profit split

The profit split is an approximation of the part of the overall future profit of the business that must be generated from the trademark asset. For a detailed explanation of the trademark profit split, please go to the glossary page on www.markables.net