Growth Against the Odds

October 2013
GMA/FMI Conference

BCG
THE BOSTON CONSULTING GROUP

For internal use only
Growth drives value

Sources of TSR, top-quartile S&P 500

Change in annual TSR (%)

1990-2009

- 1 year: 29%
- 3 years: 50%
- 5 years: 58%
- 10 years: 74%

Revenue growth

Multiple
Free cash flow
Margin

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Improbable growth

5Y revenue growth (%)

TSR (%)

No growth

Good growth

Bad growth

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Tough odds for large CPG players

<table>
<thead>
<tr>
<th></th>
<th>Extra small</th>
<th>Small</th>
<th>Midsize</th>
<th>Large</th>
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</thead>
<tbody>
<tr>
<td>$664B</td>
<td>8.1%</td>
<td>12.1%</td>
<td>17.8%</td>
<td>62.0%</td>
</tr>
<tr>
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<td>12.2%</td>
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<td>12.7%</td>
<td>18.1%</td>
<td>60.6%</td>
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Change in share '09-'12
- Extra small: +.5 pt
- Small: +.6 pt
- Midsize: +.3 pt
- Large: -1.4 pt
In search of 'uphill growers'

- Previously stagnant
- Growth turnaround
- Sustained growth
- Created value
Porsche
Earning the "right to grow"

Porsche
1992
Porsche’s growth path

Maximize the core

- 5+ years: Panamera
- 2-4 years: Cayenne
- 1 year: 911

Expand into adjacencies

- 5+ years: 918 Spyder hybrid

Explore new frontiers

- 2-4 years: Boxster
- 1 year: 911
Breakout, sustained, profitable growth

Consistent growth

Incremental launches

Growth-driven value

Revenue - indexed

New vehicle sales ('000s)

(%)

Source: Global advantage database, BCG analysis, Porsche annual reports
Starting position matters

<table>
<thead>
<tr>
<th>Competitive premium</th>
<th>Competitive stability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable low-premium</td>
<td>Low</td>
</tr>
<tr>
<td>17%</td>
<td>48%</td>
</tr>
<tr>
<td>Stable high-premium</td>
<td>High</td>
</tr>
<tr>
<td>83%</td>
<td></td>
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<tr>
<td>Turbulent low-premium</td>
<td>Low</td>
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<tr>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Turbulent high-premium</td>
<td>High</td>
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<tr>
<td>66%</td>
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</tbody>
</table>
Starting position matters

- **Stable low-premium**
- **Stable high-premium**
- **Turbulent low-premium**
- **Turbulent high-premium**

Competitive stability

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Lessons from breakout growers

- Migrate core: new frontiers
- Monetize poor portfolio
- Prioritize domestic

**Stable low-premium**

- Reinvest in core and explore adjacencies
- Build a "bet portfolio"
- Move quickly: kill or scale up

**Turbulent low-premium**

**Stable high-premium**

- Seek near adjacencies
- Maintain core
- Transplant globally

**Turbulent high-premium**

Maintain/expand margin while growing
1. Clarify your aspiration
1. Clarify your aspiration

2. Know your advantage
1. Clarify your aspiration

2. Know your advantage

3. Widen your perspective
Wider field of vision

**Where to play**
- Maximize the core
- Expand into adjacencies
- Explore new frontiers

**How to win**
- Commercial initiatives
- Organic innovation
- M&A/partnership
- Business model innovation
1. Clarify your aspiration
2. Know your advantage
3. Widen your perspective
4. Force tough choices
1. Clarify the aspiration
2. Know your advantage
3. Widen your perspective
4. Force tough choices
5. Fund the journey
1. Clarify the aspiration
2. Know your advantage
3. Widen your perspective
4. Force tough choices
5. Fund the journey
6. Align vision and action
Integration of vision, choices, action

Purpose

Vision

Strategic choices

Initiatives

Enablers

Goals and metrics

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Thank you