The CEO’s Dilemma

How to Win Market Share in a Downturn

January 2023
Introduction to this document

Current global disruptions and macroeconomic headwinds are creating unprecedented volatility and competitive pressures. Given the unique profile of this downturn, traditional recessionary playbooks are no longer enough.

This document outlines a new, tailored top-line playbook, providing guidance on how to protect value but also drive growth in the next downturn. To thrive, organizations will need to gain visibility on market shifts, safeguard value in the short term, and invest in seizing competitive advantage in the long term. Our integrated approach, therefore, balances three key dimensions: sensing, defense moves, and offense moves.

This playbook provides an array of concrete actions, across marketing, sales, and pricing, from which organizations can develop their own custom toolkit. Best-practice examples illustrate how clients have successfully navigated prior uncertainty.

Source: BCG Resilient Pricing Study, September 2022
Executive Summary | Winning market share in a downturn

Why a new approach is required

This downturn cycle is different with relatively high supply chain pressure, high oil prices, and high inflation, combined with relatively low unemployment and medium interest rates. We see a polycrisis unfolding, with a unique combination of economic and noneconomic shocks entangled at the same time, creating increased uncertainty and volatility.

Against the uniqueness of this crisis, having a pure focus on cost will not be sufficient.

With every crisis comes opportunity, but to seize that opportunity, companies need to invest. Smart leaders invest in digital capabilities to grow market share and build customer loyalty in times of high volatility.

How to win market share in a downturn

Our new top-line framework helps companies thrive through this polycrisis and future downturns, building on specific approaches around sensing, defense moves, and offense moves.

SENSING: Establish a peripheral radar to ensure visibility into what is happening in the market and to assess the impact of any defense and offense moves.

DEFENSE: Safeguard against volatility and maintain market share through defense levers to stabilize the top line and protect value – mandatory for each company entering this downturn.

OFFENSE: Unlock a unique opportunity to win share through a keen focus on each step of the customer life cycle and an integrated top-line program cutting across marketing, sales, and pricing (e.g., Beiersdorf case study).
Continued uncertainty about future demand and economic stability

### 1. Global growth outlook

**GDP forecasts** (Real GDP YoY)

<table>
<thead>
<tr>
<th></th>
<th>2021A</th>
<th>2022E</th>
<th>2023E</th>
<th>2024E</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>5.9%</td>
<td>1.8%</td>
<td>0.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>5.3%</td>
<td>3.2%</td>
<td>-0.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Global</td>
<td>6.0%</td>
<td>2.9%</td>
<td>2.1%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

### 2. Commodity prices and inflation

**Commodity prices**

<table>
<thead>
<tr>
<th></th>
<th>Oct '22</th>
<th>Nov '22</th>
<th>Dec '22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent oil</td>
<td>86.5</td>
<td>80.6</td>
<td>80.3</td>
<td>-0.4%</td>
</tr>
<tr>
<td>US</td>
<td>6.4</td>
<td>6.9</td>
<td>4.5</td>
<td>-35.4%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>84.0</td>
<td>140.0</td>
<td>74.0</td>
<td>-47.1%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>86.5</td>
<td>80.6</td>
<td>80.3</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

**Consumer price inflation (YoY)**

<table>
<thead>
<tr>
<th></th>
<th>Oct '22</th>
<th>Nov '22</th>
<th>Dec '22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>7.7%</td>
<td>7.1%</td>
<td>-</td>
<td>-0.6pp</td>
</tr>
<tr>
<td>Eurozone</td>
<td>10.6%</td>
<td>10.1%</td>
<td>-</td>
<td>-0.5pp</td>
</tr>
</tbody>
</table>

### 3. Financial markets

**Equity market performance** (YTD change)

<table>
<thead>
<tr>
<th></th>
<th>Oct '22</th>
<th>Nov '22</th>
<th>Dec '22</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>-18.8%</td>
<td>-14.4%</td>
<td>-19.4%</td>
</tr>
<tr>
<td>Eurostoxx 50</td>
<td>-15.8%</td>
<td>-7.8%</td>
<td>-11.7%</td>
</tr>
</tbody>
</table>

**Corporate spreads** (High Yield)

<table>
<thead>
<tr>
<th></th>
<th>Oct '22</th>
<th>Nov '22</th>
<th>Dec '22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>4.64%</td>
<td>4.48%</td>
<td>4.69%</td>
<td>+21bps</td>
</tr>
<tr>
<td>Eurozone</td>
<td>6.05%</td>
<td>5.26%</td>
<td>5.21%</td>
<td>-14bps</td>
</tr>
</tbody>
</table>

### 4. Monetary policy

**Monetary policy rates**

<table>
<thead>
<tr>
<th></th>
<th>Oct '22</th>
<th>Nov '22</th>
<th>Dec '22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>3.25%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>+50bps</td>
</tr>
<tr>
<td>Eurozone</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.5%</td>
<td>+50bps</td>
</tr>
</tbody>
</table>

### 5. Labor market

**Job openings rate**

<table>
<thead>
<tr>
<th></th>
<th>Q2 '22</th>
<th>Q3 '22</th>
<th>Q4 '22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>6.8%</td>
<td>6.5%</td>
<td>6.4%</td>
<td>-0.1pp</td>
</tr>
<tr>
<td>Eurozone</td>
<td>3.2%</td>
<td>3.1%</td>
<td>-</td>
<td>-0.1pp</td>
</tr>
</tbody>
</table>

**Unemployment rate**

<table>
<thead>
<tr>
<th></th>
<th>Oct '22</th>
<th>Nov '22</th>
<th>Dec '22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.5%</td>
<td>-0.1pp</td>
</tr>
<tr>
<td>Germany</td>
<td>3.0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>France</td>
<td>7.1%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### 6. Manufacturing

**PMI manufacturing**

<table>
<thead>
<tr>
<th></th>
<th>Oct '22</th>
<th>Nov '22</th>
<th>Dec '22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>50.2</td>
<td>49.0</td>
<td>48.4</td>
<td>-1.2pp</td>
</tr>
<tr>
<td>Eurozone</td>
<td>46.6</td>
<td>47.1</td>
<td>47.8</td>
<td>+1.5pp</td>
</tr>
</tbody>
</table>

Why a new approach is required

How to win in a downturn
Pressure on companies is growing during the polycrisis, with the combined impact of regulatory changes, COVID, war, and the economic crisis.

Pre-COVID, regulatory pressure
Pressure on sustainability and data privacy already growing (e.g., end of 3P cookies)

Regulatory + COVID
Initial “business freeze” and lay-offs faded & transformed into issues with supply chain and labor shortage. Increasing number of CO₂ reduction targets announced

Regulatory + COVID + war
On top of COVID, war brought political unrest and further squeezed the supply chain (raw materials, energy)

Regulatory + COVID + war + economic crisis
Forecasted decreasing GDP, uncertainty about the future, and high inflation driving rapid change in consumer patterns

Post-crisis, volatility & supply issues remain
Several pressure factors are set to continue; timeline of energy crisis is unclear, strengthened focus on privacy and sustainability likely to persist

Source: Press search, BCG
Unprecedented mix of disparate shocks results in unique polycrisis

<table>
<thead>
<tr>
<th></th>
<th>Economic situation two quarters before start of recession vs. Q3/22</th>
<th>Data for US&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
</table>

**Global supply chain pressure index**<sup>1,2</sup>

- **Low**: Early 2000s = 0.4, Global financial crisis = 1.4, Current crisis = -0.4
- **High**: Global financial crisis = 89.0, Current crisis = 98.0

**Global price of Brent Crude oil ($ per barrel)**<sup>1</sup>

- **Low**: Early 2000s = 27.0, Global financial crisis = 89.0, Current crisis = 98.0

**Inflation rate (%)**

- **Low**: Early 2000s = 2.6, Global financial crisis = 2.9, Current crisis = 6.0

**Unemployment rate (%)**

- **Low**: Early 2000s = 3.6, Global financial crisis = 4.8, Current crisis = 5.9

**Interest rate (%)**

- **Low**: Early 2000s = 1.4, Global financial crisis = 2.2, Current crisis = 4.5

**Business expectation index**


**Consumer sentiment index**

- **Weak**: Current crisis = 56, 78, 84, BCG analysis

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1. Except for "Supply chain pressure index" and "price of Brent Crude oil" (both based on global data); 2. "Supply chain pressure index" based on transportation and manufacturing indices related to delivery times, prices, and inventory

Note: Relevant quarters: Early 2000s recession = Q4/02; Global financial crisis = Q4/07; Current crisis = Q3/22

Source: U.S. Bureau of Labor Statistics; Federal Reserve Economic Data; University of Michigan; OECD; BCG analysis
# Levers that focus only on cost no longer apply in current downturn

Approach on cost is effective …

<table>
<thead>
<tr>
<th>Question</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Push on suppliers?</td>
<td>Successful supplier renegotiations for increased flexibility</td>
</tr>
<tr>
<td>Streamline organization?</td>
<td>Simplification leads to leaner cost structure</td>
</tr>
</tbody>
</table>

But caution is needed to protect the top line …

<table>
<thead>
<tr>
<th>Question</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce brand spending?</td>
<td>Short-sighted measure: COVID proved brand spenders saw 2x growth vs. average$^1$</td>
</tr>
<tr>
<td>Aggressively decrease marketing and sales costs?</td>
<td>Increased competition makes eroding market share likely</td>
</tr>
<tr>
<td>Cut tech programs?</td>
<td>Rapidly evolving pressures require advanced solutions</td>
</tr>
<tr>
<td>Rely on consumers?</td>
<td>Strongest downturn in consumer sentiment is yet to come</td>
</tr>
</tbody>
</table>

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$^1$ Top brand spenders defined as brands in top quartile of increasing brand spending over 2017-2021, methodology: 17-21 CAGR for a sample of large advertisers. Source: BCG project experience, BCG-Google branding study.
Every crisis offers opportunities, but past downturns have shown that only a few companies are able to capture growth in times of uncertainty.

75% of companies intend to use uncertainty as an opportunity for growth\(^1\)

- 25%
- 75%

75% rank pursuing growth as a top priority during economic uncertainty\(^1\)

Historically, few companies succeed in their mission

Only 14% of companies improve growth and margin during downturns

<table>
<thead>
<tr>
<th>Defense playbook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shrinking EBIT margin</td>
</tr>
<tr>
<td>44% 28%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Offense playbook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing sales growth</td>
</tr>
<tr>
<td>Expanding EBIT margin</td>
</tr>
<tr>
<td>14% 14%</td>
</tr>
</tbody>
</table>

\(^1\) 75% ranked growth in top three (Question: “In your opinion, what are the most important actions an organization can take to protect itself during times of economic uncertainty?”)

– BCG survey

Source: BCG Resilient Pricing Study, N = 1,400 pricing decision maker, September 2022
AGENDA

Why a new approach is required

How to win in a downturn
Competitive environment

In times of swift competitive moves and rapidly changing consumer demand, the ability to see where the market is shifting becomes an essential element for survival.

Hence the peripheral radar needs to be established and augmented.

This radar serves as a prerequisite for every defense and offense move of the market.

How to navigate uncertainty | Integrated playbook required to take advantage of adversity

Competitive environment

Support business decisions by understanding customers’/clients’ changing needs and by discerning market trends

<table>
<thead>
<tr>
<th>Select actions</th>
<th>Assess spending behavior</th>
<th>Forecast supplier prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Evaluate impact of market trends</td>
<td>Develop economic scenarios</td>
</tr>
</tbody>
</table>

Defend the top line by building resilience across the value chain and functions, and reallocating resources to identified priorities

<table>
<thead>
<tr>
<th>Select actions</th>
<th>Renegotiate against volatility</th>
<th>Focus sales on high-churn customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Optimize marketing allocation</td>
<td>Shift to less labor-intensive channels</td>
</tr>
</tbody>
</table>

Seize opportunity to win market share by investing in capabilities to expand the top line

<table>
<thead>
<tr>
<th>Select actions</th>
<th>Initiate Voice of Customer program</th>
<th>Enhance sales by AI &quot;next best action&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Drive personalized communication</td>
<td>Apply green premium pricing</td>
</tr>
</tbody>
</table>

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SENSING | Establishing transparency on consumer and competitor trends is key to evaluating “where to play”

Sensing creates insight on market and growth spaces along 3 dimensions …

1. Understanding of demand spaces and market dynamics

2. Insight into own and competitors’ positions

3. Sizing and prioritization based on opportunity and advantage

… which are prerequisites for targeted selection of defense and offense moves

1. Difference in error relative to capacity
Source: BCG case example, BCG Lighthouse

Case example

Global hotel chain leverages BCG demand sensing forecast (DSF) to improve accuracy, model adoption, and transparency

Updated model with new data:
- Property clustering
- Market demand data
- Airline traffic
using powerful ML algorithm tailored to each property

BCG DSF improved accuracy by 37%¹

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**DEFENSE | Hygiene “must-do” actions to protect the top line, safeguard against volatility, and maintain market share**

<table>
<thead>
<tr>
<th>Customer demand &amp; innovation</th>
<th>Monitor and respond to demand shifts</th>
<th>Predict category demand via unified data sources to enable steering of pricing and promotions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>Identify and cut low-return spending</td>
<td>Understand changing channel mix and resulting impact on volumes</td>
</tr>
<tr>
<td>Sales</td>
<td>Defend customer base</td>
<td>Optimize allocation of working and nonworking spending from low to high ROI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhance trade spending (i.e., maximize conditional spending) and promotions</td>
</tr>
<tr>
<td>Pricing</td>
<td>Protect and stabilize margins</td>
<td>Apply B2B order backlog triage to prioritize and renegotiate long-term contracts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Protect the top line by focusing on customers with high churn risk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adapt sales force incentivization to steer toward changing goals (volume vs. margin; pricing)</td>
</tr>
<tr>
<td>Customer experience</td>
<td>Focus on effective channels</td>
<td>Selectively price-up to improve margin realization (e.g., set price premiums)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Renegotiate contracts to protect against volatility and inflation (e.g., indexed pricing)</td>
</tr>
<tr>
<td>Organization</td>
<td>Set up lean organization</td>
<td>Prioritize retention programs to improve satisfaction and lifetime value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shift to less labor-intensive sales channels, leveraging automation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Build lean and efficient organization while retaining experts and talent</td>
</tr>
</tbody>
</table>
DEFENSE | Recent study of a global chemical player’s battle-tested approach to counter inflation

Playbook from a global chemical player
Faced with unprecedented inflation and product scarcity, leadership embarked on a Pricing Acceleration Program to capture immediate value and drive long-term change.

Hygiene “must-do” actions

**Customer demand & innovation**

- Predicted category demand via unified data sources to enable steering of pricing and promotions
  - Built AI-enabled pricing engine to generate target price recommendations
  - Improved data quality of yield, material costs, and demand sensitivity

**Sales**

- Protected top line by focusing on customers with high churn risk
  - Targeted pass-through of cost inflation based on price sensitivity, considering share of product in customer’s product structure and ability to pass through

**Pricing**

- Selectively priced-up to improve margins and supported contract (re)negotiation to protect against volatility
  - Introduced tactical surcharges for specialty products and revision clauses
  - Built digital contracting foundations to identify (re)negotiation opportunities

Significant impact

- **€100M** Impact delivered in less than 12 months in a €2.5B BU

- **+5-10%** Margin uplift resulting from contract renegotiations

- **+5%** Average price uplift via AI-enabled pricing engine

- **+1%** Increase in contribution margin from yield management

Source: BCG case example
OFFENSE | Targeted investments to seize opportunity and win market share

### Investment “growth driver” actions from the integrated playbook

| **Customer demand & innovation** | Embed customer demand into strategy and culture |
| **Marketing** | Seek smart, fast-forward looking opportunities |
| **Sales** | Expand customer base with high efficiency |
| **Pricing** | Adopt differentiated responses |
| **Customer experience** | Expand channels and platforms |
| **Organization** | Strengthen talent pool |

- Develop singular, customer-centric view on demand fundamentals to guide comm. strategy (e.g., sustainable products)
- Stay grounded in customers’ needs through robust Voice of the Customer program
- Exploit opportunities to reframe category, establish new brand associations by demand space (e.g., sustainability brands)
- Drive personalized communication with AI (e.g., “green” consumers)
- Install demand center to drive demand and demand response capabilities
- Use AI-driven “next best action” for effective and efficient sales
- Invest in pricing, analytics, and sales capabilities to adopt new pricing models & enable sales to take active negotiation role
- Fund and accelerate adoption of sustainable offering through “green premium pricing”
- Invest in new channels: launch D2C channel (e.g., excl. sustainability channel) or partner with channels
- Push customer lifetime value (CLV) through engagement and retention via omnichannel loyalty program
- Seize opportunity regarding high-potential candidates to complement and strengthen talent pool

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**Opportunities for push in climate and sustainability offerings**

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OFFENSE | Case study of Beiersdorf’s precision-marketing transformation to become best-in-class

Playbook from a global personal-care company
Beiersdorf’s Emerging Markets division for Nivea launched a holistic precision-marketing transformation to better navigate coming uncertainty and become best-in-class

**Investment "growth-driver" actions**

**Marketing**
- **Built marketing capabilities with precision marketing**
  - Drove personalized communication via new audience strategy & 1pd activation
  - Improved marketing planning, budgeting & execution capabilities
  - Unified marketing measurement to invest in highest ROI activities & channels
  - Enhanced sourcing models including onboarding & training of 3p partners

**Consumer experience**
- **Invested in targeted consumer journey**
  - Shifted budgets from traditional media to targeted digital channels with personalized and best-in-class CX
  - Implemented full-funnel approach to address consumers along e2e journey
  - Partnered with new 3p eCom channels for quality traffic to boost market share

**Organization**
- **Strengthened talent with extensive capability building & established new WoW**
  - Devised multi-formatted upskilling program, ensuring full-in market autonomy
  - Overhauled agency model with FTE-based model from fixed to variable
  - In-housed key capabilities, designed & recruited new Center of Excellence (CoE)
  - Significantly adjusted ways of working of marketing teams

**Significant impact**

- **7pts**  Additional sales growth, outperforming market
- **-37%**  Media budget efficiency\(^1\) vs. typical efficiency gains -25-30%
- **+124%**  Business effectiveness\(^1\) vs. typical effectiveness gains +50%
- **+300**  People upskilled

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1. Based on the results of 50 campaigns for efficiency and 20 campaigns for effectiveness conducted in 11 emerging markets
Source: BCG case example
## Playbook from a medtech animal health company

Management adopted new **digitally enabled sales and marketing engine** to engage customers in a more targeted, personalized, and data-driven way to increase overall selling ROI.

### Technology-driven actions

**Personalized marketing**
- Drove personalized communication with AI based on engagement and sales data
  - Designed marketing-engine tool for automated lead qualification
  - Measured prior engagement to optimize approach continuously

**Sales.AI**
- Expanded customer base with high efficiency
  - Built predictive call-planning tools with data-driven recommendations
  - Employed "next best action" tool to route qualified leads to reps
  - Developed data and digital platform to accelerate future builds

**Bionic organization**
- Strengthened talent pool to support digitization efforts
  - Devised multiformatted upskilling program, ensuring full-in market autonomy
  - Overhauled agency model with FTE-based model from fixed to variable; based on KPI improvement and golden-rules compliance

### Significant impact

- **$120M** Incremental annual sales impact in primary market
- **40%** Increased annual sales rep productivity
- **2X** Sales conversion rate
- **4X** Lower time to market for pilot (6 months to 6 weeks)

Source: BCG case example
Has my market intelligence team invested in its ability to track consumer and competitor moves in real time?

Have I called a meeting in recent weeks with my core team to ensure that the required defense measures have been taken?

Did I use the crisis as an opportunity to augment my technology stack to deepen my capabilities?

Do I have a good view of the return on my investments in offense levers and the benefits they will provide?

Did I ensure the robustness of my organization for upcoming downturns?
Connect with our Marketing, Sales & Pricing and Resilience leadership teams with any questions

Marketing, Sales & Pricing

Andreas Liedtke
Leader Central Europe – Marketing, Sales & Pricing
Liedtke.Andreas@bcg.com
Zurich

Karin von Funck
Consumer Node – Central Europe
VonFunck.Karin@bcg.com
Munich

Christina Mühlenbein
Managing Director & Partner
Muehlenbein.Christina@bcg.com
Hamburg

Mark Abraham
Global Leader – Personalization & Digital Marketing
Abraham.Mark@bcg.com
Seattle

Central Resilience Team

Ryoji Kimura
Global Leader – Corporate Finance & Strategy
Kimura.Ryoji@bcg.com
Tokyo

Alexander Roos
Global Co-Leader – Center for CFO Excellence
Roos.Alexander@bcg.com
Berlin

Daniel Feldkamp
Managing Director & Partner
Feldkamp.Daniel@bcg.com
Munich

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