War in Ukraine: Perspective on Consumer Sentiment

BCG Global Advantage Practice Area, Center for Customer Insight

Prepared: 26 May 2022
The war continues to be first and foremost a humanitarian crisis, and the top priority for all continues to be the safety and security of people.

Moreover, the continuity of the war has resulted in profound economic impact, not only within Ukraine but globally—as supply chains face disruption, commodity prices rise, and unprecedented levels of sanctions take hold.

We continue to lean into the most pressing issues and questions on the minds of our clients and teams.

This edition shares a deep dive into the Consumer Sentiment through our survey of 9,000 consumers across 11 markets globally. Our snapshot sheds light on current consumer concerns and silver linings, as well as implications for business leaders.
Perspective on Consumer Sentiment

- Global Consumer Sentiment trends
- Selected regional insights
- Implications for leaders
Introduction to BCG Consumer Sentiment Snapshot

What is Consumer Sentiment?

Periodic snapshot of consumer perceptions, behavior & spending changes at a given time

Comparison of consumers between different markets

Assessment of underlying causes for evolving consumer sentiment

Methodology

>9,000 respondents

Conducted online in late April/May 2022

11 focus markets, including the USA, China, European and emerging markets

Source: BCG analysis.
# Summary | Trends & Implications of the War in Ukraine

## Global trends

<table>
<thead>
<tr>
<th><strong>We see muted current consumer sentiment</strong> across the world, but for different reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The <strong>War in Ukraine is top of mind</strong> for consumers, although its <strong>impact is perceived most acutely in Europe and the US</strong></td>
</tr>
<tr>
<td>• Concern about <strong>inflation</strong> is the most global issue, with ~70% of consumers concerned about <strong>potential economic impact</strong></td>
</tr>
<tr>
<td>• Lingering COVID concerns remain in select markets (China and Japan), though most consumers feel &quot;the worst is over&quot;</td>
</tr>
<tr>
<td>• Uncertainty forcing consumers to <strong>prioritize spending on essentials in the short term</strong>, and adding pressure on personal finances</td>
</tr>
</tbody>
</table>

However, **silver linings emerge** when we examine the forward-looking picture for the consumer sentiment:

| • Consumers are **optimistic about Covid recovery**, except for some of the more severely affected markets (e.g., China) |
| • **Pent-up demand strong** as 3 in 4 consumers globally expect to purchase more or the same over the next six months. Highest pent-up demand expected in discretionary leisure categories like travel, eating out, live events or apparel |
| • **Digital momentum** continues to pick up speed as 1 in 3 consumers expect to step up online spending further |

## Regional insights

| **US** | Concerns about inflation & potential recession drive buying behavior to affordability; Covid recovery and digital are silver linings |
| **China** | Consumers mainly concerned about Covid impact but relatively optimistic and resilient on all other accounts |
| **Europe** | Few silver linings for European countries as war, inflation, recession and financial insecurity pose significant threats |
| **Japan** | Cautious sentiment due to pandemic, inflation and recession concerns; Japanese consumers usually show caution |
| **Emerging markets** | Wide range of sentiment from muted in Brazil to more buoyant in India; digital adoption showing strong growth |

## Implications

| **5 areas of business action:** (1) deaverage by market & product, (2) understand drivers of buying behavior shifts, (3) ensure availability through supply chain resilience, (4) employ dynamic pricing, and (5) invest in digital marketing strategies |

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1. Countries covered: UK, Germany, France, Sweden
2. Countries covered: Brazil, Indonesia, India

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War in Ukraine: Global Update and Consumer Sentiment

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Perspective on Consumer Sentiment

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### Consumer sentiment is muted globally at the moment, but for different reasons across regions

<table>
<thead>
<tr>
<th>Concern ranking</th>
<th>US</th>
<th>China</th>
<th>France</th>
<th>Germany</th>
<th>Sweden</th>
<th>UK</th>
<th>Japan</th>
<th>India</th>
<th>Brazil</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>🇺🇸</td>
<td>🇨🇳</td>
<td>🇫🇷</td>
<td>🇩🇪</td>
<td>🇸🇪</td>
<td>🇬🇧</td>
<td>🇯🇵</td>
<td>🇮🇳</td>
<td>🇧🇷</td>
<td>🇮🇩</td>
</tr>
<tr>
<td>2</td>
<td>🇺🇸</td>
<td>🇨🇳</td>
<td>🇫🇷</td>
<td>🇩🇪</td>
<td>🇸🇪</td>
<td>🇬🇧</td>
<td>🇯🇵</td>
<td>🇮🇳</td>
<td>🇧🇷</td>
<td>🇮🇩</td>
</tr>
<tr>
<td>3</td>
<td>🇺🇸</td>
<td>🇨🇳</td>
<td>🇫🇷</td>
<td>🇩🇪</td>
<td>🇸🇪</td>
<td>🇬🇧</td>
<td>🇯🇵</td>
<td>🇮🇳</td>
<td>🇧🇷</td>
<td>🇮🇩</td>
</tr>
<tr>
<td>4</td>
<td>🇺🇸</td>
<td>🇨🇳</td>
<td>🇫🇷</td>
<td>🇩🇪</td>
<td>🇸🇪</td>
<td>🇬🇧</td>
<td>🇯🇵</td>
<td>🇮🇳</td>
<td>🇧🇷</td>
<td>🇮🇩</td>
</tr>
</tbody>
</table>

Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New Zealand, BCG analysis

Concerns: Ukraine War, Inflation, Potential recession, Covid
**Sentiment** | The War in Ukraine is top of mind for consumers, although its impact is perceived differently across regions

War in Ukraine is the most repeated concept when asked about concerns on current state of the world

Most consumers see the conflict persisting, but more limited impact in their countries

% of Strongly Agree and Agree

- **79%** Believe the conflict will continue for a long time
- **60%** Think consumers in their country are suffering due to politics of the conflict

Perceptions are mixed depending on country exposure

<table>
<thead>
<tr>
<th>Country</th>
<th>% of Strongly Agree and Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>83%</td>
</tr>
<tr>
<td>USA</td>
<td>76%</td>
</tr>
<tr>
<td>China</td>
<td>61%</td>
</tr>
<tr>
<td>China</td>
<td>73%</td>
</tr>
<tr>
<td>France</td>
<td>63%</td>
</tr>
<tr>
<td>India</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis
Sentiment | Concern about inflation pressure persists, with most consumers concerned about potential economic impact

Concern about inflation pressures persists
% of Strongly Agree and Agree

83% Are concerned by price increases, perceived across categories

<table>
<thead>
<tr>
<th>Category group</th>
<th>Price increase % who perceived increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essentials Food</td>
<td>87%</td>
</tr>
<tr>
<td>Essentials Non-Food</td>
<td>76%</td>
</tr>
<tr>
<td>Health &amp; Wellness</td>
<td>70%</td>
</tr>
<tr>
<td>Discretionary expenses</td>
<td>72%</td>
</tr>
</tbody>
</table>

Consumers weary about potential recession
% of Strongly Agree and Agree

73% Worry that the world will struggle with economic recession

Most concerned countries
- Brazil: 82%
- Indonesia: 80%
- Germany: 80%

60% Think there will be an economic recession in their country

Most concerned countries
- UK: 69%
- USA: 69%
- India: 66%

Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis
Uncertainty is forcing consumers to prioritize spending on essentials in the short term, and adding pressure on personal finances

Uncertainty affects consumption mix shift to essentials…

<table>
<thead>
<tr>
<th>Category group</th>
<th>Price increase % who perceived increase</th>
<th>Spend shift % who spend more today vs last 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essentials Food</td>
<td>87%</td>
<td>+26%</td>
</tr>
<tr>
<td>Essentials Non-Food</td>
<td>76%</td>
<td>+19%</td>
</tr>
<tr>
<td>Health &amp; Wellness</td>
<td>70%</td>
<td>+5%</td>
</tr>
<tr>
<td>Discretionary expenses</td>
<td>72%</td>
<td>-11%</td>
</tr>
</tbody>
</table>

65% Believe prices increases will accelerate or keep rate across all categories

…and pressures personal finances

65% Worried about personal finances

41% Say their savings have decreased

Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis
Silver linings | Consumers are optimistic about Covid recovery, except for those in some of the more severely affected markets

Consumers are optimistic about Covid recovery and return to normalcy…

Covid-related consumer sentiment
% of Strongly Agree and Agree

51% Believe worst of the Covid pandemic is over

47% Less worried about the impact of Covid

…except in some most affected markets
Difference between respondents who strongly agree / agree within the country and those who strongly/agree among total global respondents

<table>
<thead>
<tr>
<th>Country</th>
<th>Optimistic</th>
<th>Pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>+2%</td>
<td>-4%</td>
</tr>
<tr>
<td>Sweden</td>
<td>+11%</td>
<td>-38%</td>
</tr>
<tr>
<td>China</td>
<td>+9%</td>
<td>-21%</td>
</tr>
<tr>
<td>Japan</td>
<td>-18%</td>
<td>-38%</td>
</tr>
</tbody>
</table>

Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis

Prepared: 26 May 2022
Silver linings | High intention to spend in discretionary categories such as travel, eating out, apparel or leisure shows evidence of pent-up demand.

Top & bottom categories where consumers intend to spend more
% of people expecting to spend more in next 6 months than today¹

<table>
<thead>
<tr>
<th>High growth</th>
<th>Vacation/leisure travel</th>
<th>Eating at restaurants</th>
<th>Movies at cinema hall</th>
<th>Women's clothing</th>
<th>Spas, theme parks, concerts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20%</td>
<td>14%</td>
<td>14%</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low growth</th>
<th>Subscription for paid videos on platforms</th>
<th>Food delivery from restaurants</th>
<th>Tobacco &amp; smoking supplies</th>
<th>Vitamins, minerals, herbs or supplements</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
<td>-2%</td>
<td>-2%</td>
<td>-2%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

¹. Calculated by subtracting the % of respondents who said they would purchase these categories less in the next six months from the % of respondents who said they would purchase these categories more in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis.
India and USA will experience even higher adoption growth according to consumers

### Consumer habits

**Today | Most consumers spend online and digitally**

- **Purchase online**
  - Used since last 6 months, at least occasionally
  - 81%

- **Use digital payments**
  - 81%

**Future | 1 in 3 will increase online & digital spend further**

- **Plan to increase in next 6 months**
  - 31%

### Difference between % respondents intending to increase online spend in next 6 months in the country vs overall

- **India**
  - 81% (+19%)
  - 31% (+28%)

- **USA**
  - 81% (+12%)
  - 39% (+11%)

**Source:** Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis
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Regional Consumer Sentiment Dashboards

1. Evaluated concern & sentiment quantitatively
   - **War**: Concerned about Ukraine War & impact in home countries
   - **Personal finances**: Concerned about finances and savings
   - **Inflation**: Concerned about price increases and their continuity
   - **Pandemic**: Concerned about Covid impact and return to normal
   - **Potential recession**: Concerned about recessions globally & in country
   - **Pent-up demand**: Expected to spend more in certain categories in the next 6 months, and country-specific demand trends
   - **Other trends**: Other relevant trends highlighted in the survey for the specific geography (e.g., digital channel growth)

2. Evaluated concern qualitatively
   - **Average**: Equal to total average or within 2% above or below
   - **Below**: Positive sentiment, >2% below total average
   - **Above**: Negative sentiment, >2% above total average

3. Distilled region-specific takeaways to support decisions

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**Concerns & sentiment**

- **War**: 63%
- **Inflation**: 80%
- **Pandemic**: 72%
- **Pent-up demand**: 46%
- **Personal finances**: 46%

**Other trends**

- **Cinema**: 35%
- **Events**: 25%
- **Cuisines**: 15%
- **Cosmetics**: 9%
- **Alcohol**: 6%
- **Retail stores**: 3%

**Key takeaways**

- Consumers increasingly worried about inflation and potential recession; personal finances have not yet been severely affected.
- Consumers increasingly cutting down for more affordable brands & deals/promotions.
- Covid recovery optimism driving pent-up demand for discretionary spending (e.g., sporting events, travel & leisure).
- Online spend will continue to grow as digital adoption gains long-term traction (e.g., retail, credit)

**US Concerns about inflation and potential recession drive buying behavior towards affordability, Covid recovery and digital are silver linings**
Concerns about inflation and potential recession drive buying behavior towards affordability; Covid recovery and digital are silver linings

**Concerns & sentiment**

- **63%** War
- **80%** Inflation
- **72%** Potential recession

**Pent-up demand** | % of respondents expecting to spend more in next 6 months

<table>
<thead>
<tr>
<th>Category</th>
<th>Global average</th>
<th>Average</th>
<th>Below</th>
<th>Above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cinemas</td>
<td>19%</td>
<td>15%</td>
<td>12%</td>
<td>-</td>
</tr>
<tr>
<td>Events</td>
<td>-</td>
<td>15%</td>
<td>12%</td>
<td>-</td>
</tr>
<tr>
<td>Home furnishings</td>
<td>-</td>
<td>15%</td>
<td>12%</td>
<td>-</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>-9%</td>
<td>15%</td>
<td>12%</td>
<td>-</td>
</tr>
<tr>
<td>Alcohol</td>
<td>-10%</td>
<td>15%</td>
<td>12%</td>
<td>-</td>
</tr>
<tr>
<td>Food staples</td>
<td>-13%</td>
<td>15%</td>
<td>12%</td>
<td>-</td>
</tr>
</tbody>
</table>

**Key takeaways**

Consumers increasingly worried about inflation and potential recession; personal finances have not yet been severely affected

Consumers increasingly trading down for more affordable brands & deals/promotions

Covid recovery optimism driving pent-up demand for discretionary spending (e.g., sporting events, travel & leisure)

Online spend will continue to grow as digital adoption gains long-term traction following Covid highs

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1. Calculated by subtracting the % of respondents who said they would purchase these categories less in the next six months from the % of respondents who said they would purchase these categories more in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New Zealand, BCG analysis
China | Consumers mainly concerned about Covid impact but relatively optimistic and resilient on all other accounts

**Concerns & sentiment**

- **41%** War
- **56%** Inflation
- **44%** Potential recession

**Personal finances**

- **40%**

**Pandemic**

- **60%**

**Key takeaways**

Sentiment less affected by war, inflation and potential recessions, signaling the resilience of the Chinese market

Covid remains main concern, an outlier

Spending currently focused on essentials as consumers concerned over lockdowns

Digital spending habits expected to grow despite existing high adoption rate

New digital channels (e.g., community commerce) to substitute traditional digital channels

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2. Calculated by subtracting the % of respondents who said they would purchase these categories less in the next six months from the % of respondents who said they would purchase these categories more in the next 12 months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New Zealand, BCG analysis

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**Pent-up demand**

% of respondents expecting to spend more in next 12 months

- Fresh food: 32%
- Personal & home care: 22%
- Packaged food: 20%
- Recreational services: -18%
- Lifestyle services: -19%
- Travel: -26%

**Other trends**

- **+14%** expect to increase use of digital channels & online payments
- **56%** experiencing food essentials price hikes
Europe | Few silver linings for European countries as war, inflation, recession and financial insecurity pose significant threats

Key takeaways

Consumers most worried about direct impact of Ukraine War and recession potential

Inflation concern drives personal financial insecurity and current spending mix shift to essentials & food

European consumers positive about Covid recovery

Return to normalcy drives pent-up demand for travel and leisure

Concerns & sentiment

- **67%** War
- **79%** Inflation
- **68%** Potential recession
- **53%** Personal finances
- **54%** Pandemic

Other trends

- **82%** experiencing food essentials price hikes
- **55%** of European consumers are not concerned about travelling internationally

Pent-up demand | % of respondents expecting to spend more in next 6 months

- Travel (leisure): 17%
- Women’s clothing: 14%
- Cosmetics: 13%
- Cars: -1%
- Utilities: -2%
- Vitamins, etc.: -2%

1. Countries covered: UK, Germany, France, Sweden. 2. Calculated by subtracting the % of respondents who said they would purchase these categories less in the next six months from the % of respondents who said they would purchase these categories more in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New Zealand, BCG analysis
Emerging Markets\(^1\) | Wide range of sentiment from muted in Brazil to relatively buoyant in India; digital adoption poised for strong growth

**Concerns & sentiment**

<table>
<thead>
<tr>
<th>Category</th>
<th>Brazil</th>
<th>India</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>War</td>
<td>70%</td>
<td>67%</td>
<td>49%</td>
</tr>
<tr>
<td>Inflation</td>
<td>84%</td>
<td>79%</td>
<td>78%</td>
</tr>
<tr>
<td>Pandemic</td>
<td>54%</td>
<td>50%</td>
<td>63%</td>
</tr>
<tr>
<td>Recession</td>
<td>69%</td>
<td>70%</td>
<td>66%</td>
</tr>
</tbody>
</table>

**Key takeaways**

**Economic insecurity highest** in Brazil as consumers perceive income decline.
Consumers confident worst of the pandemic is over but **remain cautious**.

**India concerns over inflation high**, but most optimistic regarding pandemic.

**Growth in digital adoption** strongest amid recovery in discretionary spending.

Sentiment primarily muted due to inflation; pandemic remains a concern.

**Pent-up demand** for discretionary spending high, consumers await pandemic to ease.

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1. Countries covered: Brazil, India, Indonesia.
2. Calculated by subtracting the % of respondents who said they would purchase these categories less in the next six months from the % of respondents who said they would purchase these categories more in the next six months. Source: Survey conducted in April 15-22, 2022 in USA, UK, Germany, France, Brazil, China, India, Indonesia, Japan, Sweden and New-Zealand, BCG analysis.
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Perspective on Consumer Sentiment

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- Implications for leaders
## 5 areas of business action emerge from consumer trends

<table>
<thead>
<tr>
<th></th>
<th><strong>Deaveraging</strong></th>
<th>Deaverage consumer insights and pricing strategies by market &amp; product segment; use pricing ladders and portfolio strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td><strong>Anticipation</strong></td>
<td>Understand drivers of change in buying behavior as preferences shift amid rising prices &amp; pent-up demand in discretionary categories such as travel/leisure, clothing</td>
</tr>
<tr>
<td>3</td>
<td><strong>Availability</strong></td>
<td>Ensure supply chains are ready to meet short-term pent-up consumer demand in Covid-hit goods; build long-term supply chain resiliency</td>
</tr>
<tr>
<td>4</td>
<td><strong>Pricing</strong></td>
<td>Apply dynamic pricing (AI &amp; data analytics) to capture opportunities in real time while keeping in mind price elasticity constraints</td>
</tr>
<tr>
<td>5</td>
<td><strong>Digital</strong></td>
<td>Invest in digital marketing strategies to capture continued growth in online consumption and adoption of digital payments; data privacy remains key priority</td>
</tr>
</tbody>
</table>

Sources: BCG analysis and case experience.
Companies are taking immediate actions to adapt to consumer trends

1. **Deaveraging** | Coca-Cola announced price hikes to offset rising costs but aims to mitigate consumer impact through new package sizes & materials.

2. **Anticipation** | Walmart prioritizing better understanding changing consumer preferences due to price pressures and adapting product offering as a result (e.g., private brands).

3. **Availability** | Apple intends to expand manufacturing into India and Vietnam in effort to diversify supply chain primarily concentrated in China.

4. **Pricing** | Cinemark plans to move to more dynamic pricing which could lead to increase or decrease in ticket prices based on demand.

5. **Digital** | Burberry launched augmented reality feature allowing consumers to try clothes on virtually & livestreaming of fashion shows on Twitch; digital sales have grown by 50%.

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Teams across BCG are actively monitoring impact

Global Advantage Practice Area

Nikolaus Lang
Managing Director & Senior Partner
Global Practice Area Leader, Global Advantage
E: Lang.Nikolaus@bcg.com

Marc Gilbert
Managing Director & Senior Partner
Global Lead, Geopolitics & Trade Impact
E: Gilbert.Marc@bcg.com

Ken Carlstedt
Associate Director
Global Trade Risk & Compliance
E: Carlstedt.Ken@bcg.com

Kasey Maggard
Global Practice Mgmt. Director
Global Advantage
E: Maggard.Kasey@bcg.com

Michael McAdoo
Partner & Director
Global Trade & Investment
E: McAdoo.Michael@bcg.com

Leandro J. Urbano
Consultant
E: Urbano.Leandro@bcg.com

Center for Customer Insight (CCI)

Aparna Bharadwaj
Managing Director & Partner
Global Leader, CCI
E: Bharadwaj.Aparna@bcg.com

Cinthia Chen
Managing Director & Partner
China Lead, CCI
E: Chen.Cinthia@bcg.com

Lauren Taylor
Managing Director & Partner
NAMR Lead, Customer Centricity
E: Taylor.Lauren@bcg.com

Patrick Witschi
Associate Director
Marketing, Sales & Pricing
E: Witschi.Patrick@bcg.com

Deepti Tyagi
Global Topic Manager, CCI
E: Tyagi.Deepti@bcg.com

Liz Scholz
Consultant
E: Scholz.Liz@bcg.com

Marketing, Sales & Pricing and Consumer Practice Areas

Jean-Manuel Izaret
Managing Director & Senior Partner
Global Practice Area Leader, Marketing, Sales & Pricing
E: Izaret.JeanManuel@bcg.com

Rohan Sajdeh
Managing Director & Senior Partner
Global Practice Area Leader, Consumer
E: Sajdeh.Rohan@bcg.com

Aditi Bathia
Consultant, CCI
E: Bathia.Aditi@bcg.com
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