IAFEI WORLD CFO CONGRESS

What comes next after M&A era?

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Chieko MATDSUDA
Executive Director
Booz Allen Hamilton

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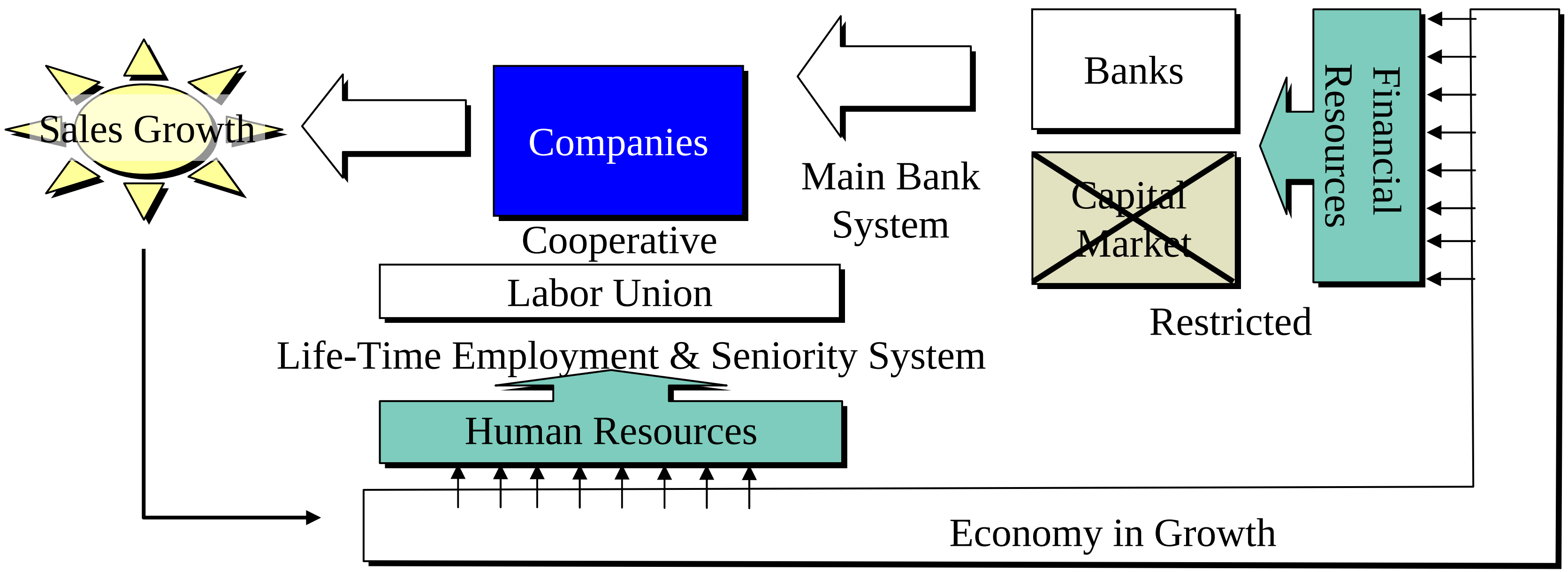
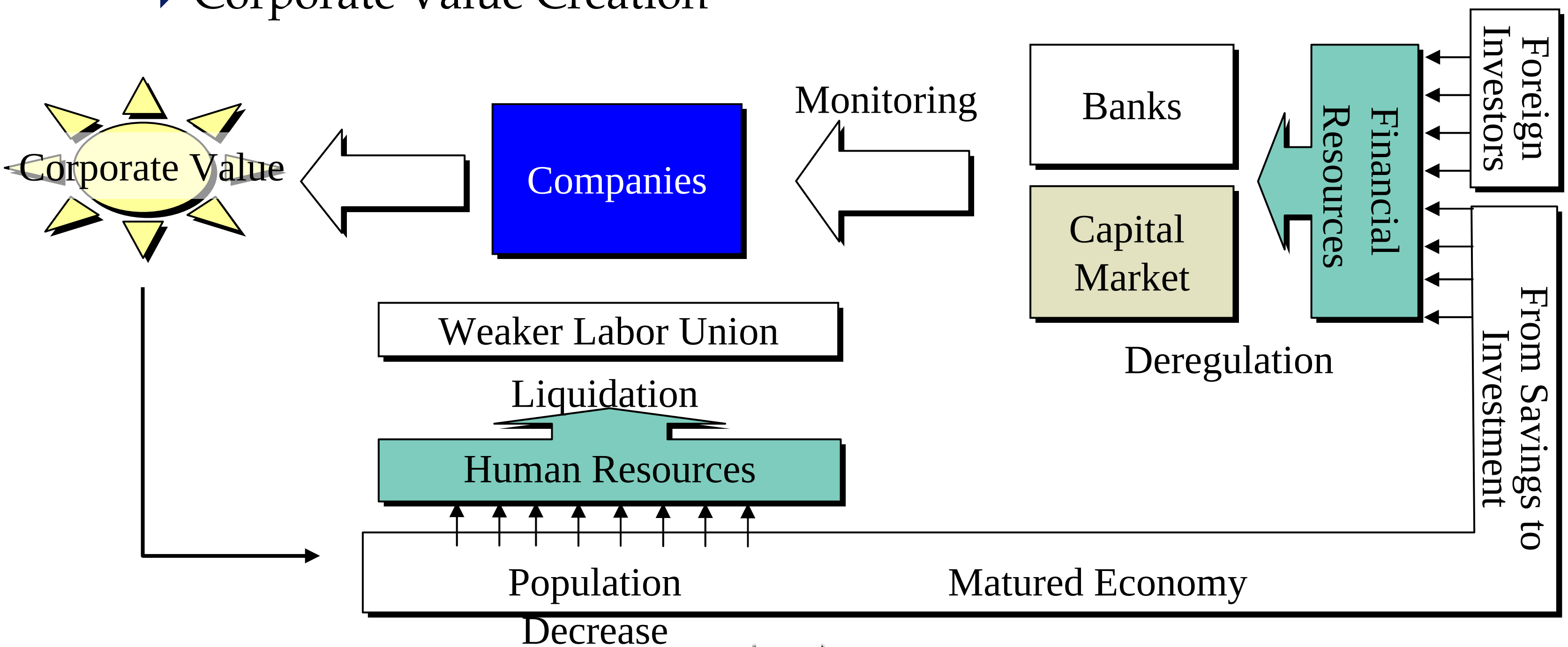
“Ancien Regime” in Japan

- Financial System aiming at “Growth and Expansion”
  - From World War Ⅱ to the end of ’90s
  - Companies could dedicated to the business growth and did not need to cope with uncertainties and risks to get financial- and human resources
    - Main Bank System supported stability of their financial resources
    - Japanese Management System supported stability of their human resources



Collapse of “Ancien Regime” and Deregulation in Capital Market

- In 70’s, Ancien Regime has already not worked on well ⋐⋐
  - The system outlived to 90’s with serious problems
    - Banks took credit risks too much
      - Expansion of domestic demand ⇗ Bubble Economy ⇗ Financial Crisis
  - Deregulation in Capital Market has developed the new financial system
    - Corporate Finance and Governance
    - Corporate Value Creation



How to enhance corporate value?

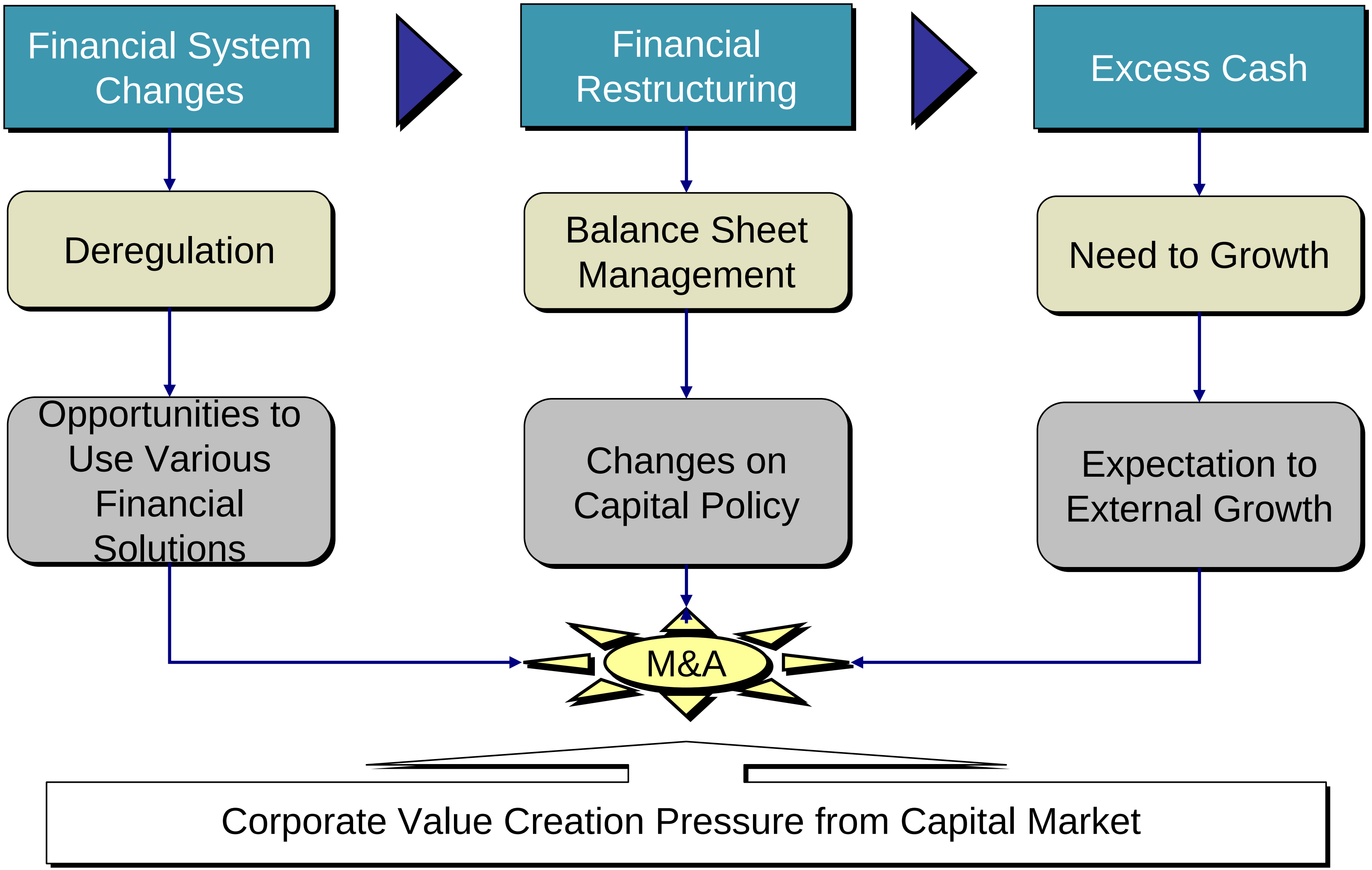
- There are only four measures to enhance corporate value:
  - Ⓓ Increase profit without investing additional capital
  - Ⓔ Invest capital in business that would generate profit worth the cost of additional capital investment
  - Ⓕ Withdraw investment from business that can't secure profitability that exceeds cost of capital
  - Ⓖ Realize reduction of cost of capital

- Traditional Management Strategy
  - Sales growth / Profit increase
  - Income statement
  - Internal improvement
  - Internal growth
  - Rare organization changes

- Management Strategy required nowadays
  - Return, Risk and Invested Capital
  - Balance Sheet Management
  - Direct Connection with Capital Market
  - External Growth
  - Frequent organization changes

M&A is one of important alternatives to implement the new management strategy

Background on M&A increase in Japan



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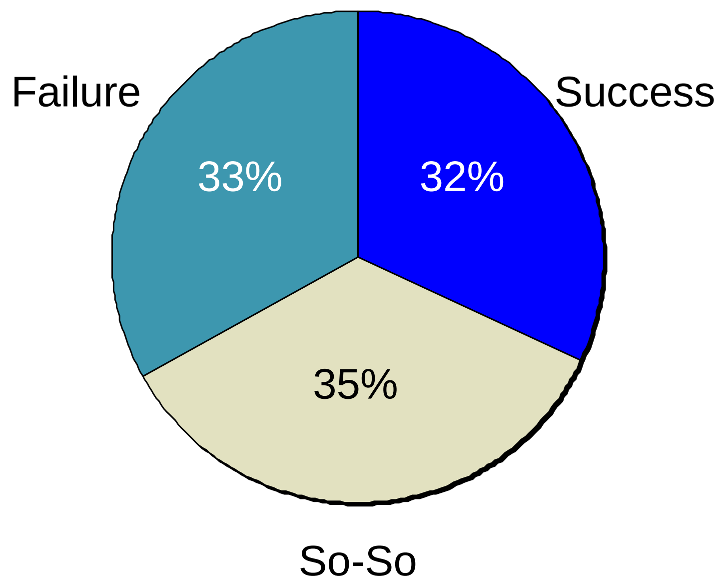
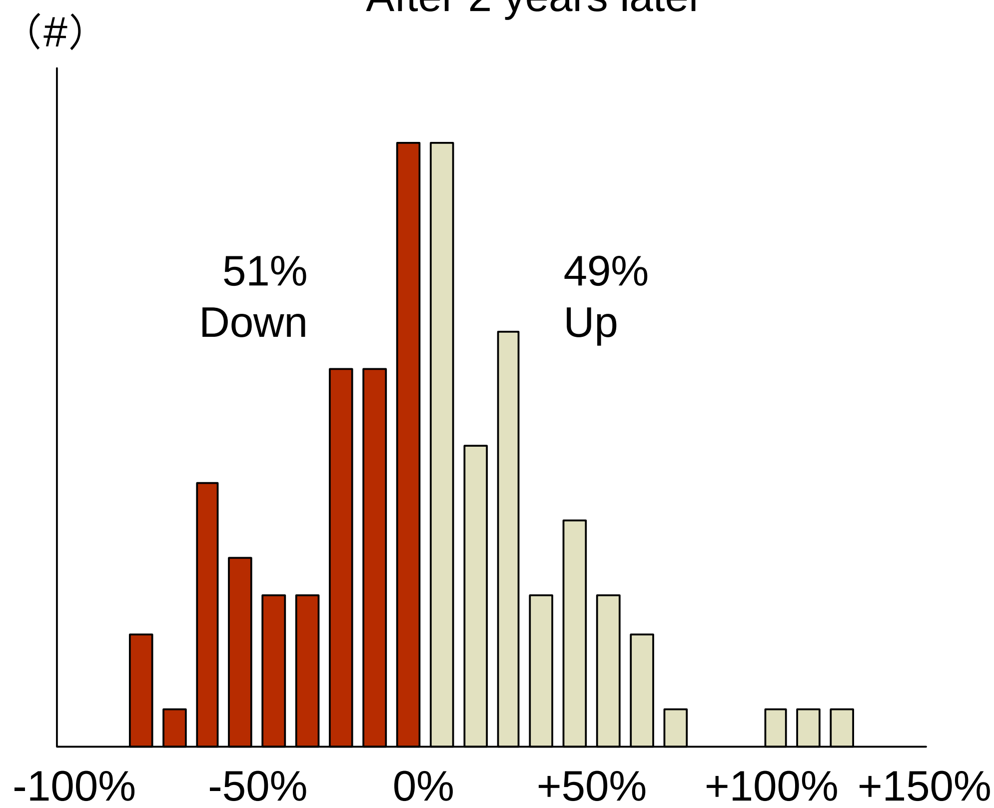
Less than 50% of Companies can enhance corporate value by M&A

Evaluation of M&A by Management
—After 2 years later



Enhancement of Corporate Value (Peer Comparison)
—After 2 years later



Source : Booz Allen Hamilton Data Base

Concerns in Recent M&A Transactions in Japan

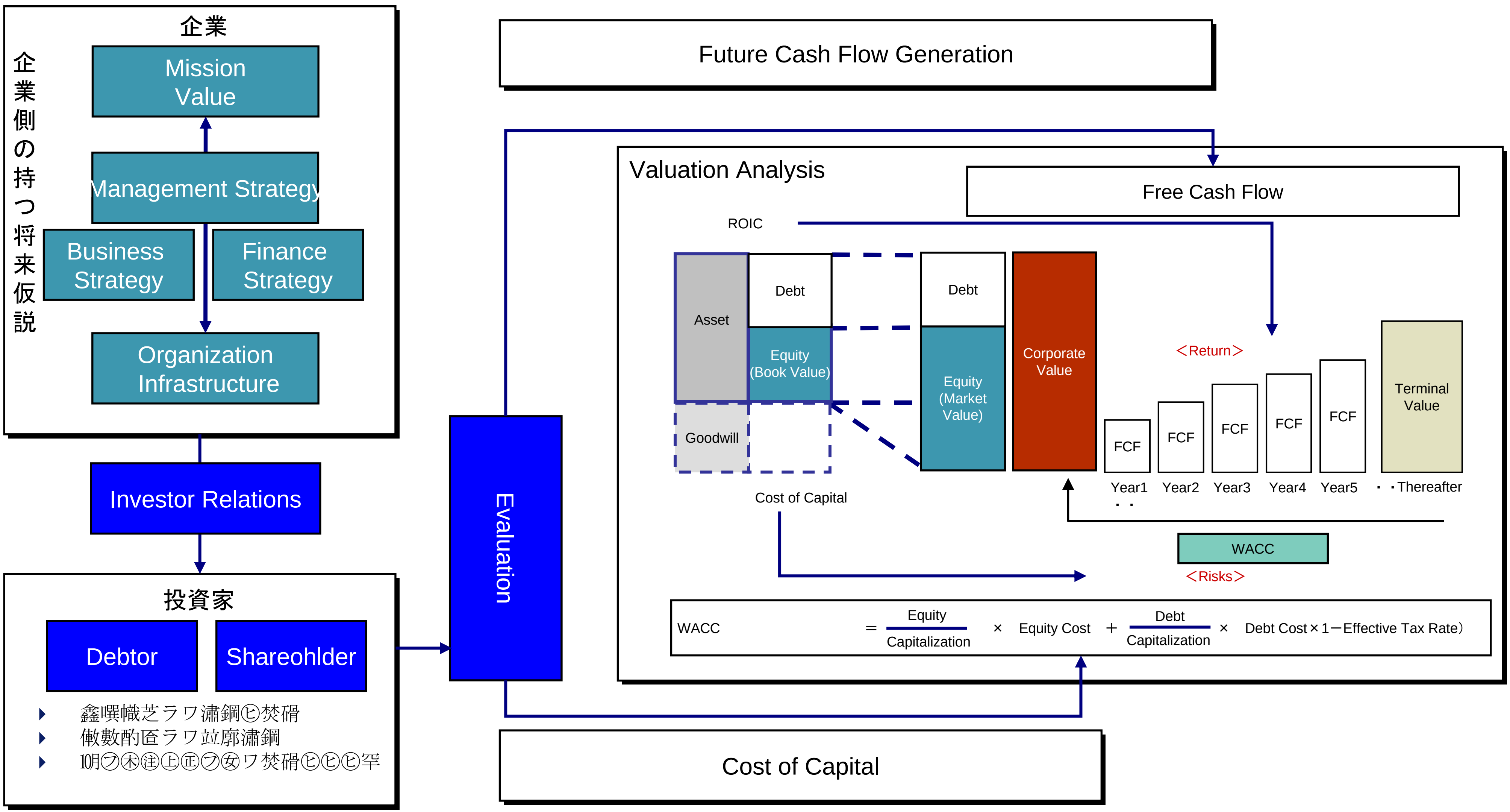
	Step 1 Strategy Fit	Step 2 **M&A** Deal	Step 3 PMI
Companies	▸ Lack of Business Strategy – Haphazard – Too much dependence on investment banks – Just excuse against investors	▸ Lack of financial knowledge – Corporate finance theory – Valuation skills ▸ Lack of Investment Policy	▸ Lack of Post-Merger Integration Management – M&A purpose uncertain – From Financial Deal to Human Resources Issue – Start a long process of integration
Investors	▸ Lack of understanding of business – Short-term speculation – Lack of business analysis – Too much dependence on financial solutions ▸ Never say "Stop"	▸ Love only deals ▸ Not many true Professional	▸ Indifference to Success – M&A is an event for investors, not process

＜ 1 ＞Management Strategy

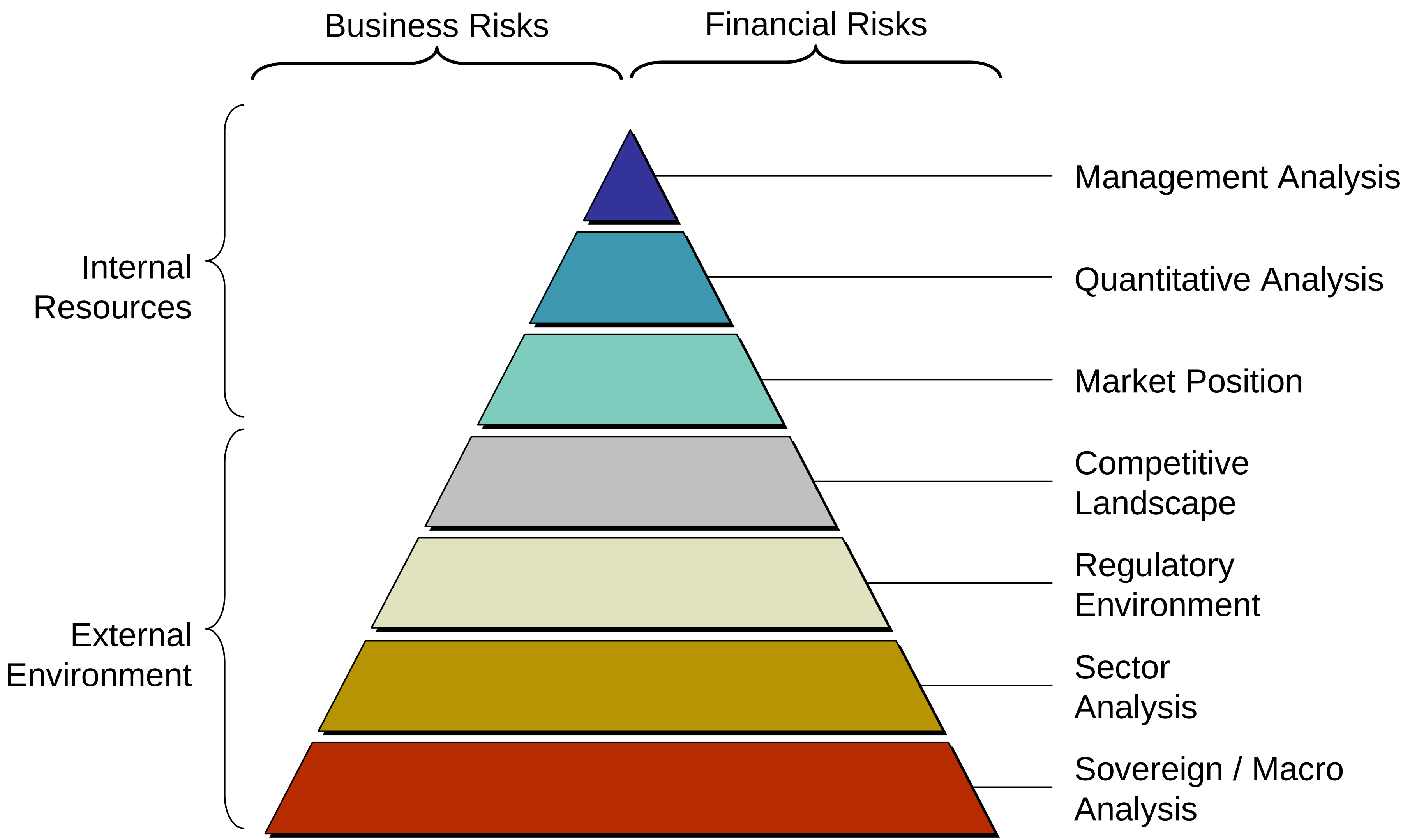
＜ 2 ＞Financial Strategy

＜ 3 ＞Organization Strategy

Investors evaluate companies through companies' investor relations

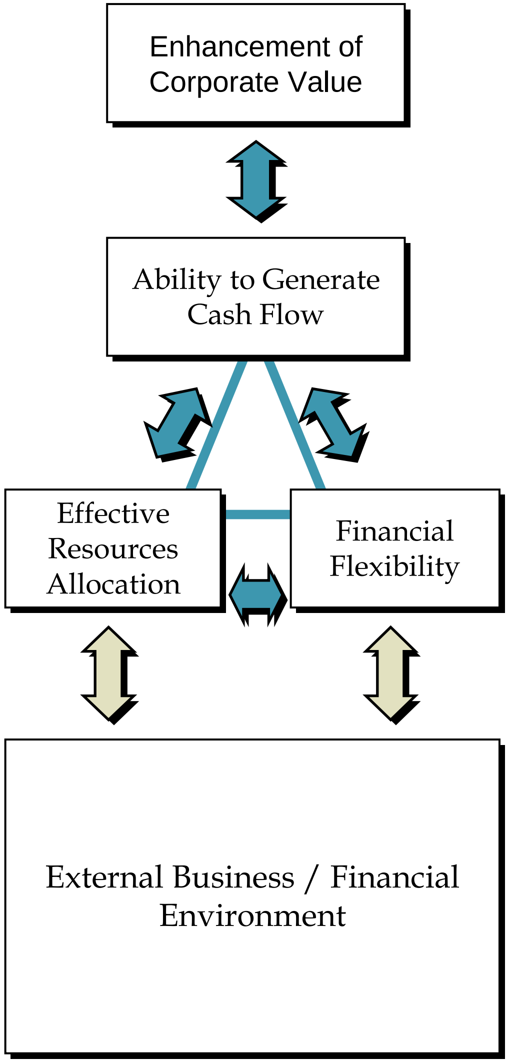


Companies should recognize investors' way of thinking – (1) How to make Corporate Analysis in the Capital Market



(Ref.) Management strategy should build accurately in order to satisfy corporate analysis in the capital market

How stable is the future cash flow to support business risk? / How adequate is it to support financial risk?



Management Analysis
- Vision, Direction, Capability of the Management
- Management/Business/Financial Strategies, Internal Infrastructure
- Allocation of Business Resources, Investment Policy/Plan
- Financial Flexibility, Borrowing Policy/Plan
- Others: M&A, Consolidation, Withdrawal

Quantitative Analysis
- Financial Analysis of Past Achievements
- Mid-term simulation reflecting Macro to Qualitative Forecasts (PL,BS,CF Projection)
- Stability Even in the Pessimistic Scenario

Market Position
- Market share, competitive edge, advantage and its sustainability
- Advantage in cost structure and its sustainability
- Advantage in technology, production, logistics etc, and its sustainability
- Advantage in financial position and its sustainability

Sector Analysis
- Size, significance, resilience to business cycle of the sector
- Growth potential, stability, supply-demand cycle of the sector
- Competition with other sectors/Entry Barrier

Competitive Landscape
- Competitive Landscape in the Sector and Market for Domestic and International

Regulatory Environment
- Regulatory Environment in the Sector and Market for Domestic and International

Macro-Sovereign Analysis
- Political/Economic/Social Environment That Could Impact Business
- National/Regional Situations Surrounding Japan Domestic and International Businesses

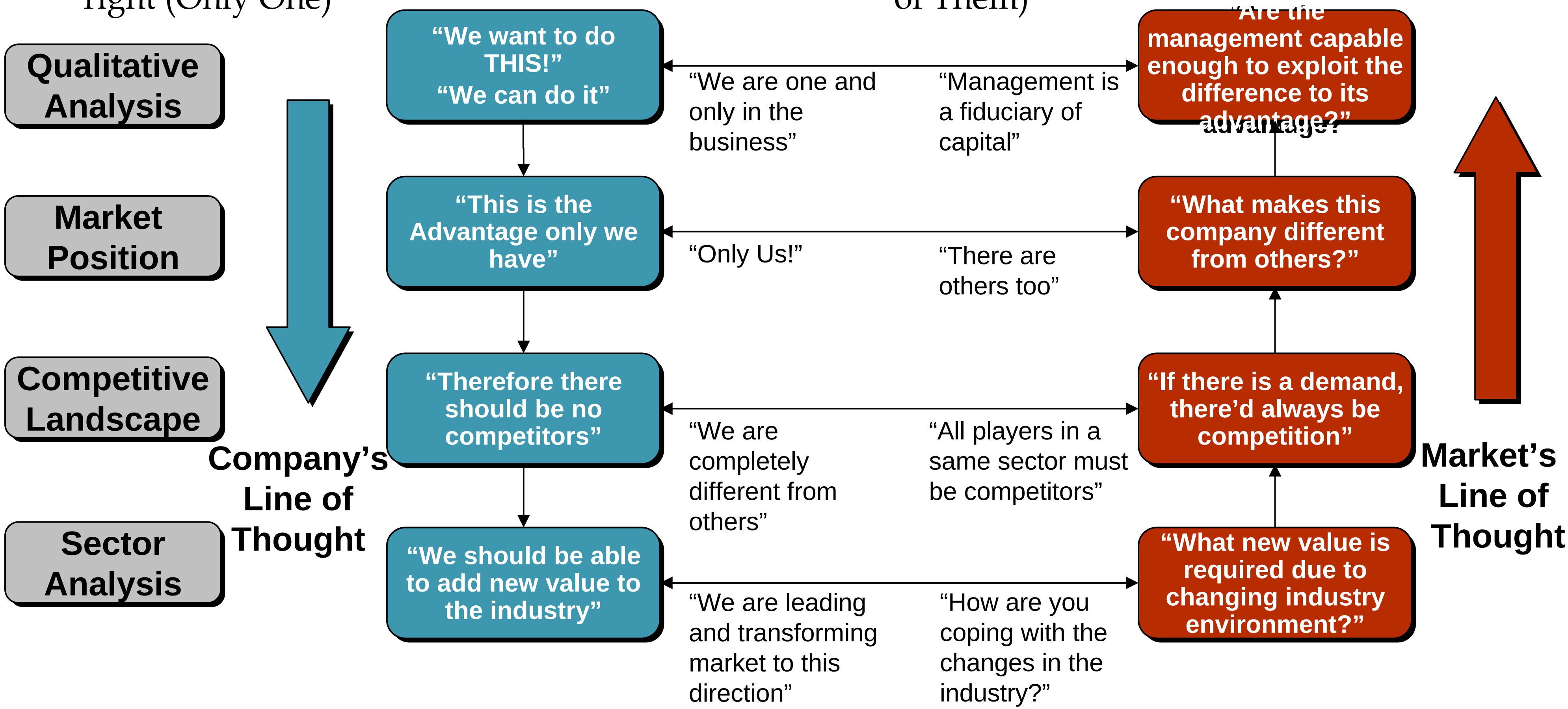
Companies should recognize investors' way of thinking - (2) Investors love peer group comparison

Company's Assumption

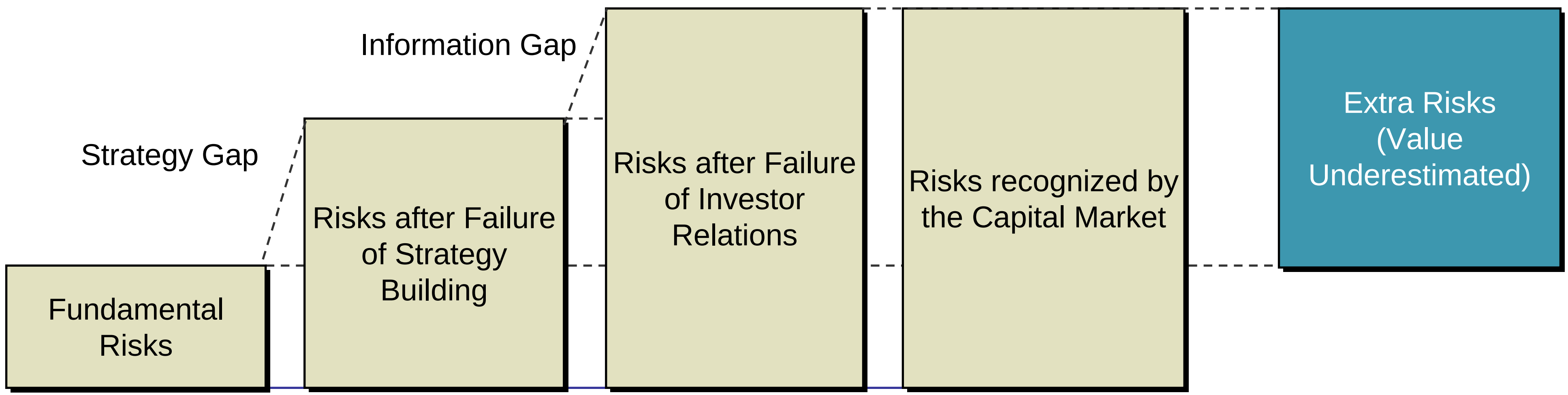
- Launches a business because "it's new and we want to do it"
- Company is "absolutely" doing things right (Only One)

Market's View

- Compares to see "which business" looks more profitable to invest in
- Always views companies "relatively" (One of Them)



Concerns in the current M&A arena in Japan (1)
Strategy building and Investor Relations have great impact on corporate value evaluation



Executives believe their company is not fully appreciated by the capital market

Neither internal employees nor external investors can not understand the company's future

External investors can not obtain enough information about the company's future

As a consequence, investors evaluate the corporate value at this stage

"Conglomerate Discount" can be on the order of 30%

Private Equity and Hedge Funds profit from undervalued public securities

Why investors require strategy building and investor relations (1)

Cash flow generated from the existing operations

|

Cash flow invested to the existing operations

（Capex for the existing operations, etc）

||

Free Cash Flow

- Source of Corporate Value

To Debt Investors

- Debt Repayment

To Equity Investors

- Dividend
- Share Buy-Back

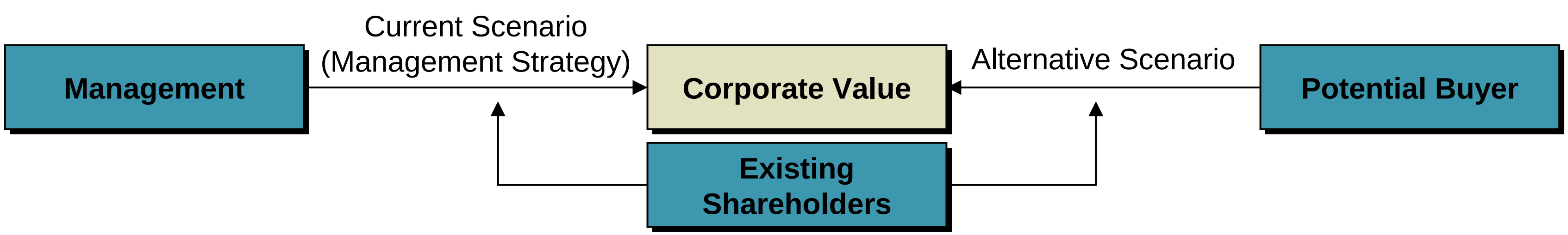
To Management

- New Business
- New M&A
- Restructuring, etc.

The management should convince investors of needs to invest the business by explaining a logical storyline for the company's future

Why investors require strategy building and investor relations (2)

- When does an acquisition tend to take place?
  - When a corporation is presumed to **increase its corporate value if the acquirer would own it rather than remaining with the current management**
- What does it take to successfully defend a company?
  - Convince shareholders that **the corporate value will be increased more if the company stayed with the current management instead of being transferred to the buyer**
- What is it necessary to convince shareholders?
  - **A logical storyline for the company's future, therefore Investor Relations is a key to successful defense against hostile takeover**



Which scenario will be better?

Financial Players in Japan at Glance

<Before>

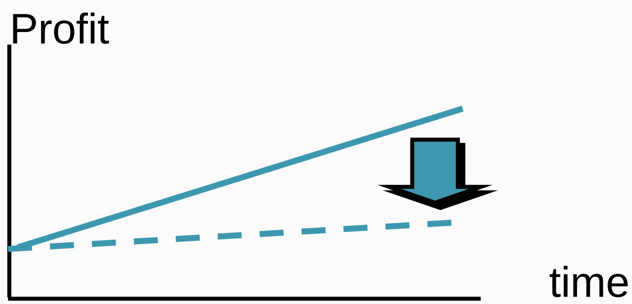
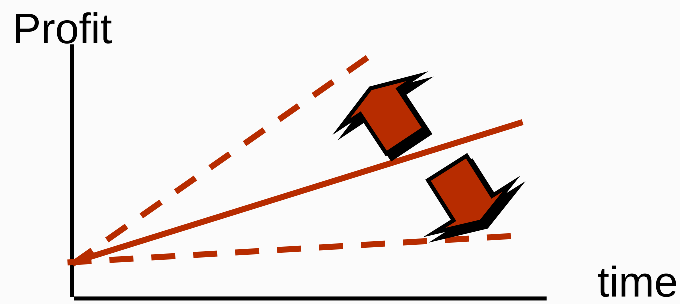
	Indirect (Private)	Direct (Public)
Debt	Banks	Bond Market
Equity		Equity Market

<Present>

	Indirect (Private)	Direct (Public)
Debt	Banks	Bond Market
Equity	Private Equity Fund	Equity Market

- M&A players should be more conscious the following factors:
  - A role of Private Equity Fund nowadays
  - Difference between Debt and Equity
  - Difference between Private Finance and Public Finance
  - Essence of Corporate Finance : To how extent take credit risks?

(Ref.) Key Difference Between Debt and Equity

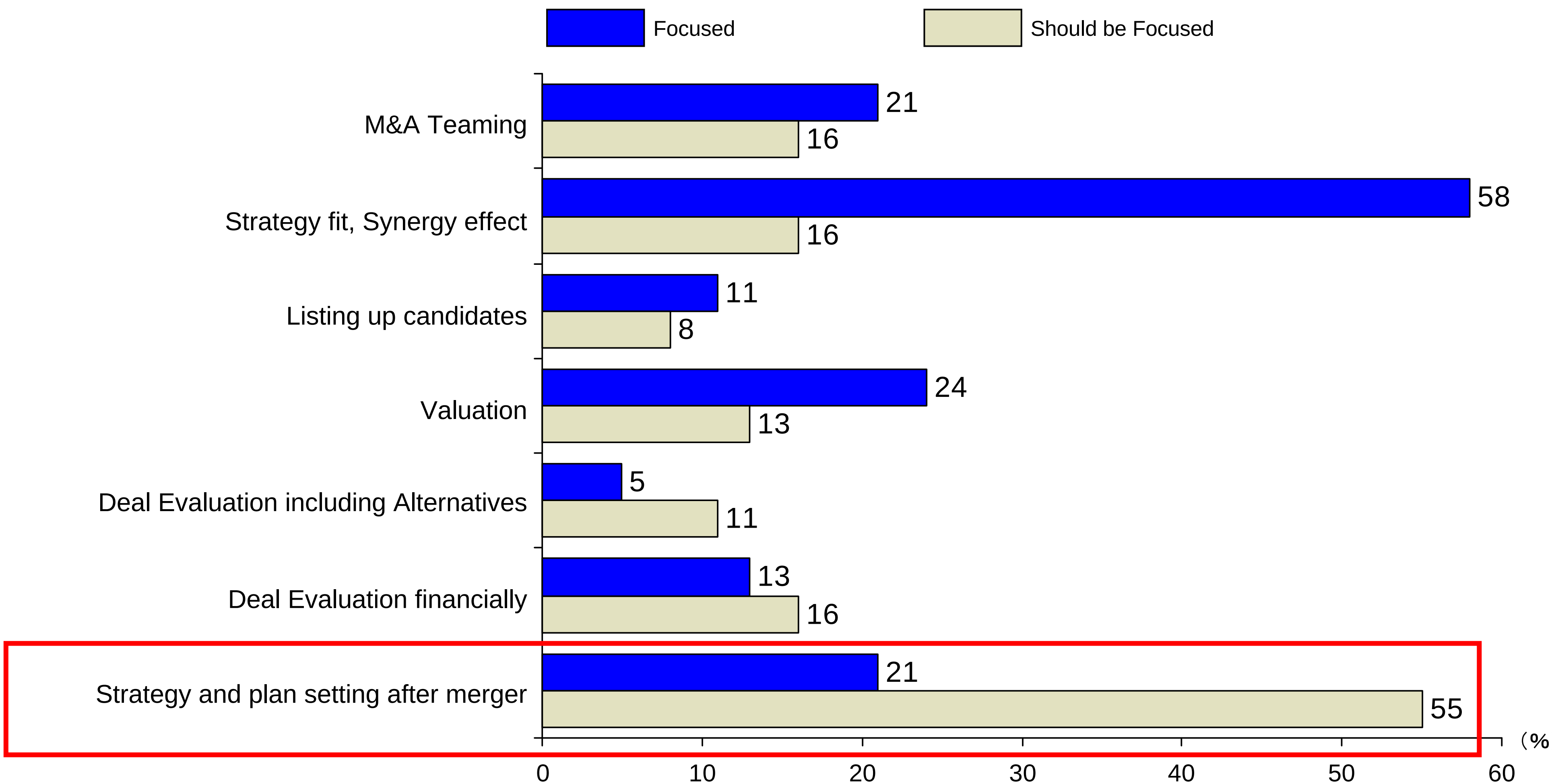
	Interest-Bearing Debt	Shareholders' Equity
Basis of Existence	By Contract	By Law
Priority of Claim	Primary	Secondary
Voting Right	No	Yes
Nature of Fund	Repayment obligation on a fixed date	No repayment obligation
Risk Location	Credit Risk 	Market Risk 
Risk Appetite	Low	High
Return Expectation	Interest	Capital Gain and Income Gain
Return Realization	Through Contract	Through Corporate Performance

Concerns in the current M&A arena in Japan (2)
Credit Risks, Leveraging, and Styles of Governance

Governance by Debt holder	Governance by Shareholder
▸ Secondary governance ▸ Governance by contract – Based on Loss of "Benefit of Term" Clause – Limitation by "Financial Covenant" ▸ "Commitment to due date" reinforces governance ▸ "Governance by main bank" is this style ▸ Stronger in unlisted companies ▸ Stronger as credit risk is higher	▸ Primary governance ▸ Governance by law – Based on Corporate Law and other regulations ▸ "Can Sell Anytime" strengthens governance ▸ Towards governance by "autonomy under article of incorporation" ▸ Stronger in listed companies ▸ Weaker as credit risk is higher

- Different Styles of Governance to Corporation should be recognized especially when companies consider "Going-Private" and/or LBO

CFO Financial Survey says lack of PMI Planning and Management



Source : Japan CFO Association

(Ref.) Our approach to integration planning, tailored to fit your needs, is built around 10 time-tested imperatives

10原則
1) Strategic intent – Translate strategy and upside vision into integration guidelines; Develop with external stakeholders a shared vision of future market position
2) Internal understanding – Develop baseline understanding of how each company operates
3) One company – Create new integrated organization, processes, culture, infrastructure
4) Value capture – Identify and capture appropriate short / medium-term upsides and cost synergies
5) Energized team – Build enthusiasm among employees
6) Stakeholder enthusiasm – Build enthusiasm in the market, with regulators, communities, customers, etc.
7) Stable operations – Identify how to implement changes without disruption
8) Close – Manage impact of closing process on integration (and vice versa) and transition plans; Consummate the deal
9) Moments of truth – Identify / manage key decisions
10) Integration leadership and management – Sustain the momentum into and through implementation; Track, monitor and adjust

First 100 day plan after closing is the most important

Closing

Integration before closing

Integration after closing

2-4 Months	3 Months	12-24 Months
Planning	**First 100 Days**	**Implementation**

Planning (2-4 Months)

- Define Vision and Goal
  - Speed, Scope, Scale of Integration
  - Goal Setting
- Communication Plan
- Ability to support business
- Initial Integration Plan

First 100 Days (3 Months)

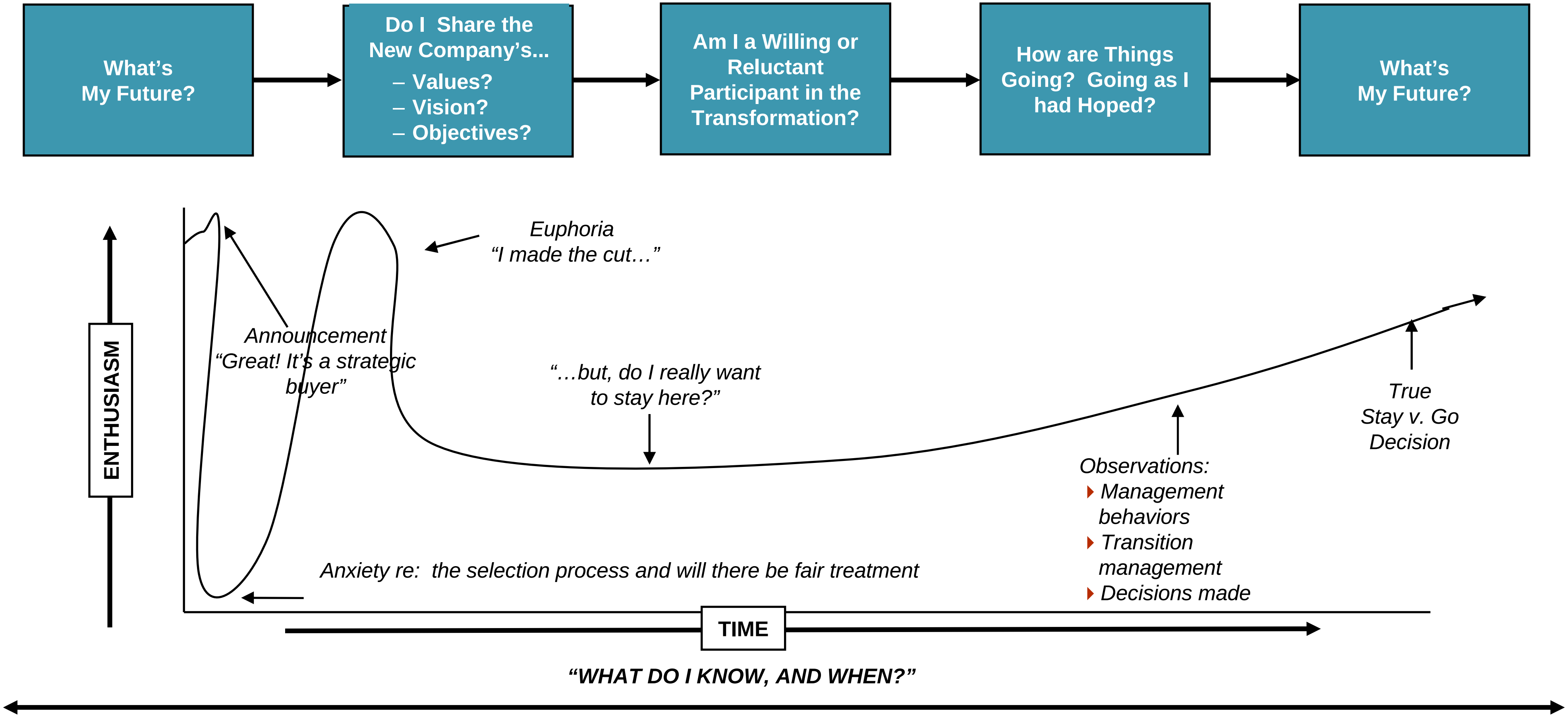
- Commitment to realize value creation
- Design of organization, process, system, tools
- Detailed implementation plan
- Persons responsible for the plan

Implementation (12-24 Months)

- Changes on infrastructure
- Changes on organization
- Realization of most synergy
- Integration of business

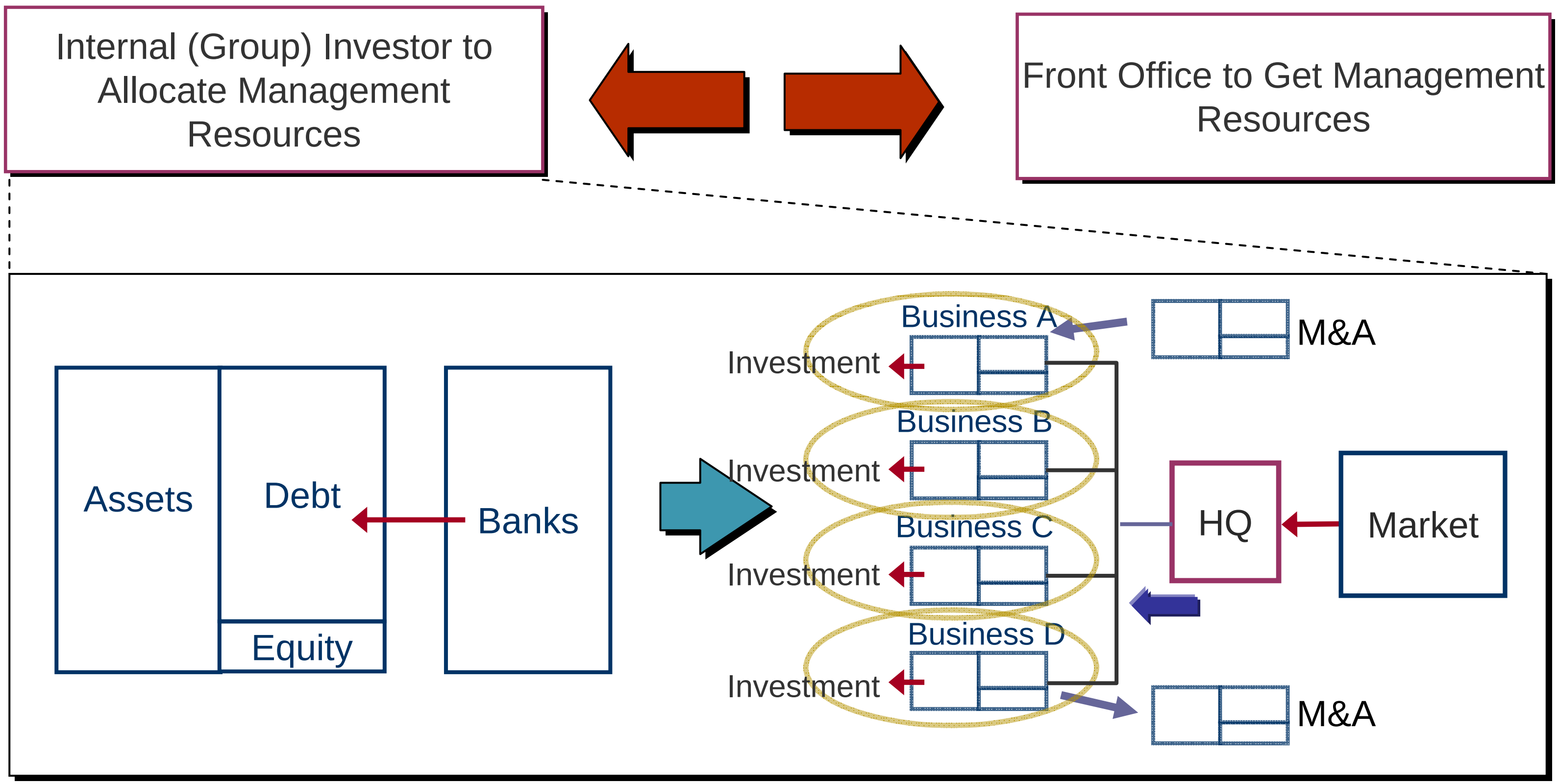
Motivation issues must be managed – employee enthusiasm will vary throughout the process

Characteristic Employee Reaction to Merger



Business Portfolio Management and Successful PMI

- A headquarter has two faces:



- As internal investor, structure, management and evaluation of business portfolio are very important
  - M&A is one of key measures for reshuffle of business

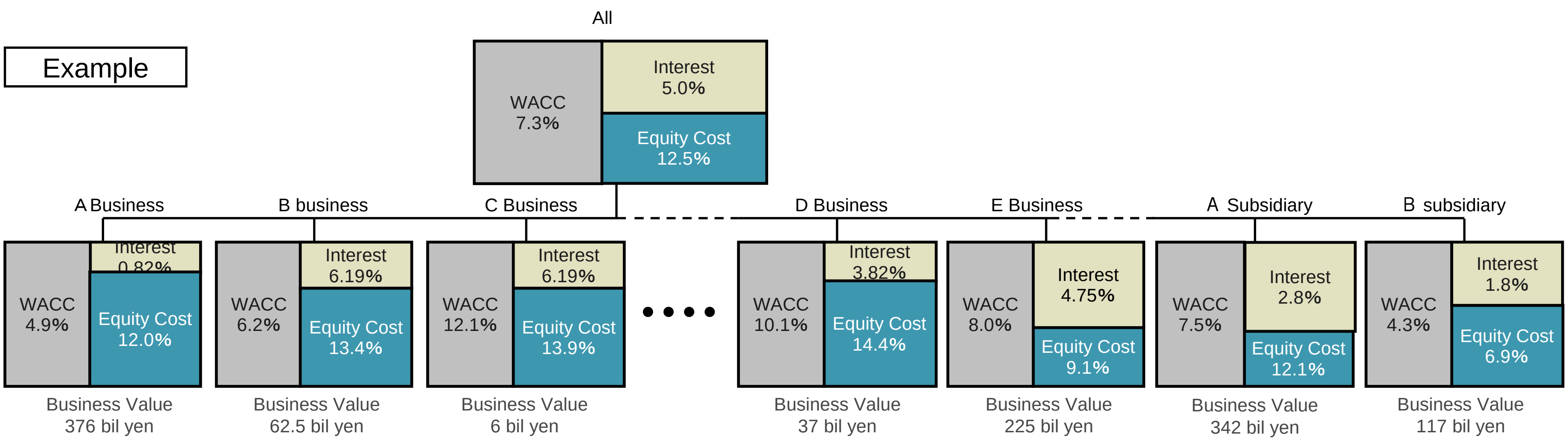
Concerns in the current M&A arena in Japan (3)
Lack of Data Infrastructure to manage business value

- Companies aim at business value creation through portfolio management ,but…

	Sales	Cost	Profit	Investment	COC	COC(%)	Business Value (EVA)
A	1,000	800	200	4,000	200	5.0%	㊘㋜
B	500	200	300	2,000	400	20.0%	☵100
C	300	100	200	300	20	6.6%	180
D	100	50	50	200	20	10.0%	30

Many companies don’t have enough infrastructure to manage business value

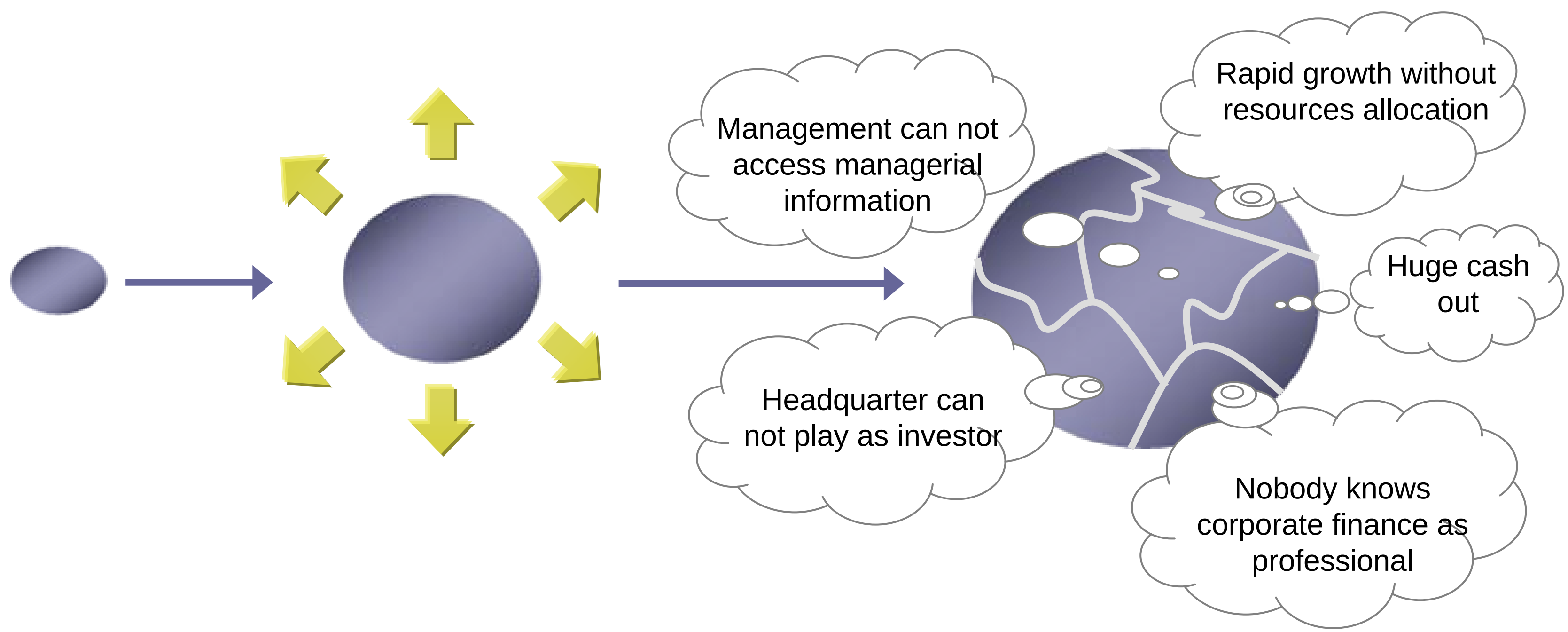
Example



Concerns in the current M&A arena in Japan (4)
Lack of Functional Capability in Old-Type Organizations

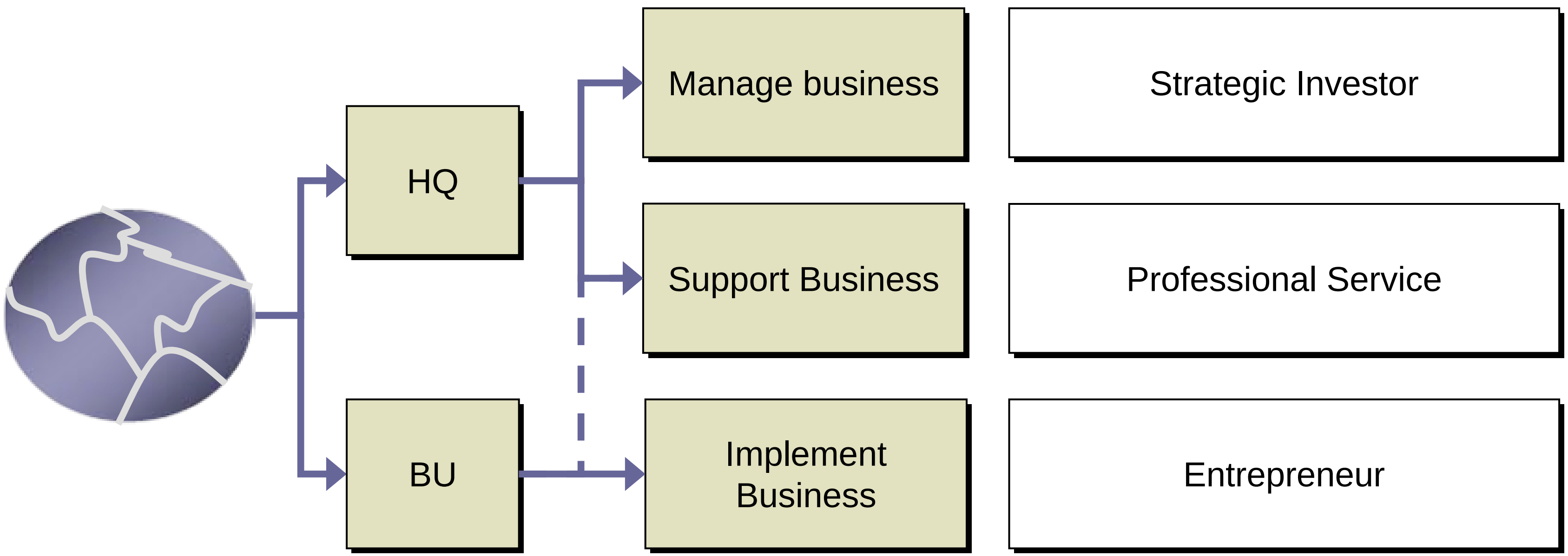
- Growth and Expansion, but,…
  - Still Old-Type Organization
    - Generalists only
    - Still Focus on only Sales
    - Indifferences to Type of Business Model

- Old-Type Organizations can not
  - Define functional capability
  - Build efficient data infrastructure
  - Make the best use of Professionals
  - Design Strategy and Plan after Merger



Breakdown of Functional Capability of Organization

- Management should clarify true function that the company really needs and assign correctly
  - HQ should play as internal investor
    - Not Financial Investor, Be Strategic Investor
    - Responsible for Investment, Management and Evaluation
      - Including PMI
      - Including realization of synergy in the group, incubation,

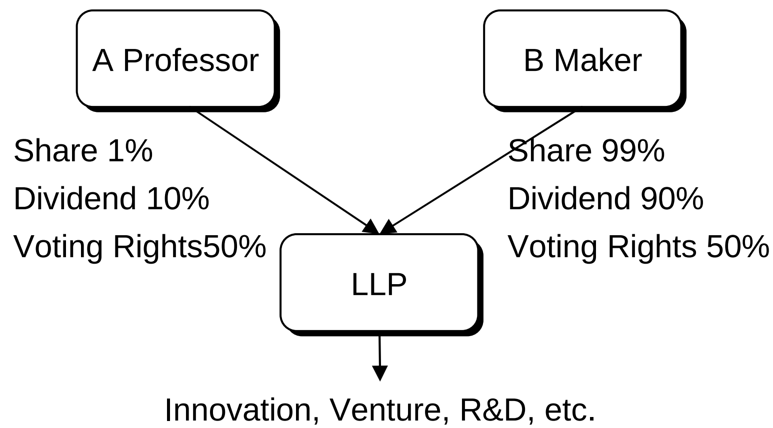


Concerns in the current M&A arena in Japan (5)
- Lack of “purpose” of M&A

- Is “this M&A” really necessary for the company to enhance its corporate value?
  - What is the purpose?
    - To excuse investors?
    - To be convinced by financial players?

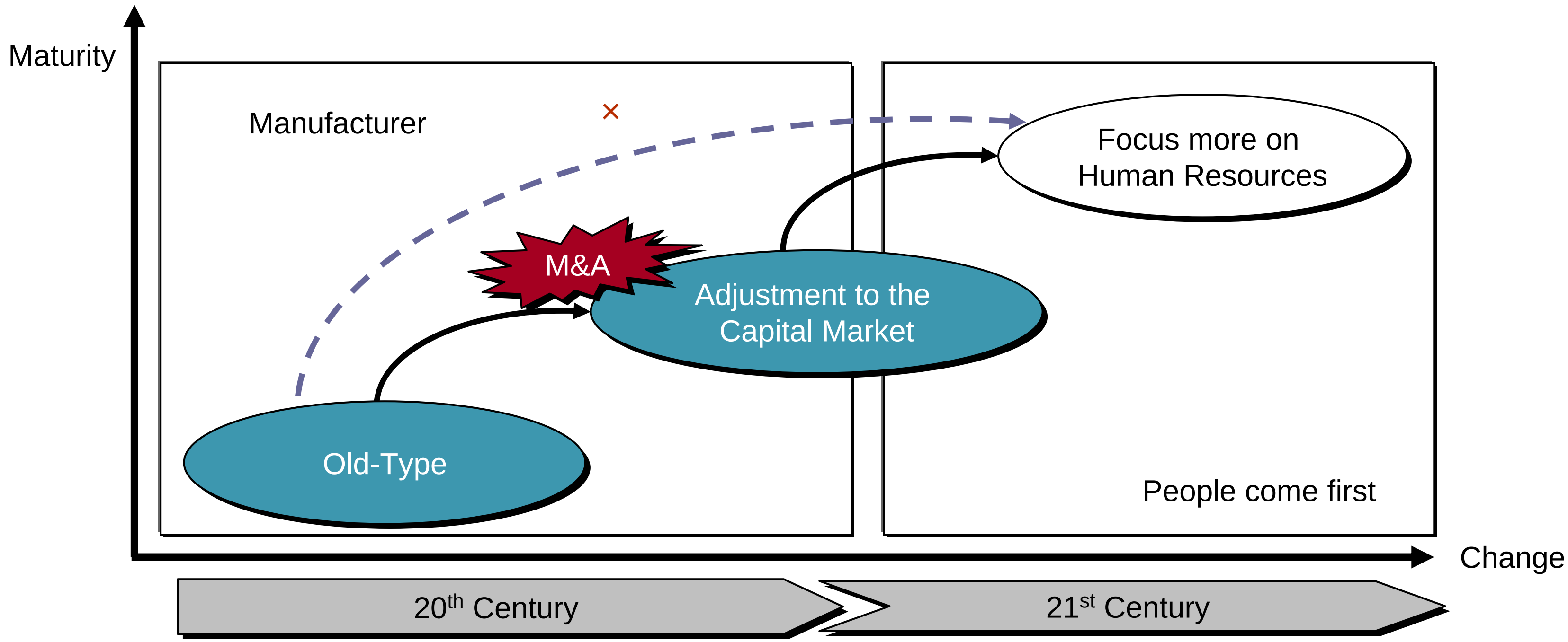
  - Only “this M&A” can realize the purpose?
    - Is it really speedy compared with newly establishment?
    - Is it really effective to get human resources and/or intangible assets?

- Is it enough to have any right to use human resources or intangible assets?
  - Human Resources : Temporally loaned, Side Business, Head-hunting…
  - Intellectual Capital : License in / out…
- Is it possible to use new organization structure?
  - LLC㋪LLP



What does come next after the current M&A era?

- Industrialization ⁄⁄ Post Industrialization
  - Type of ₃ Corporation₄ will change
    - From manufacturers to service provider
    - To focus more on human resources as sources of value creation
      - Like professional firms
- M&A may be a product in transition period to go to a real "capitalism" for most of Japanese companies, but further transition may be occurred in future



Chieko MATSUDA - Executive Director

- Worked at The Long-Term Credit Bank of Japan, Ltd. in more than 10years
  - As credit analyst for international corporations and major Japanese companies
  - As debt-side investor to LBO/MBO, M&A, Structured Finance, etc.
- Worked at Moody's Investors Service as Rating analyst
- Worked as a partner of Corporate Directions, Inc. , a management consulting company spun off from The Boston Consulting Group
- Joined BAH in October 2006
  - Responsible for "CFO Agenda", top management agenda related to strategy and finance
- Member of Japan Association for Chief Financial Officer
- Author of several books and many articles regard to strategy and finance
- Member of several governmental committees (Industrial finance, Privatization, M&A etc.)

- Contact

  - TEL 813-3436-8573↖ Direct↗
  - FAX 813-3436-8668
  - Mail matsuda_chieko@bah.com

CFO Agenda / Strategic Corporate Finance – Managing For Value with Booz Allen Hamilton

- ***Why Now?***
- How We Can Help
- Who We are

Shareholder value is enjoying a "Renaissance"

- "Institutionalization" of investor capital:
  - Retail investor savings is increasingly pooled within institutional funds
  - Institutional investors are increasingly active (or passive indexers)
  - Private equity and hedge funds have stepped up the game
- Managers now more accountable for shareholder value:
  - Total shareholder return and stock price used to gauge management performance
  - Manager incentives increasingly aligned with investors through stock ownership
  - Board governance holding managers accountable with "shorter honeymoons"
- Other stakeholders demand economic capability
  - Customers and suppliers now desire partners with financial strength and stability
  - Business partners (most specifically Asian) want to see stability to give them confidence before undertaking investment or collaborative efforts

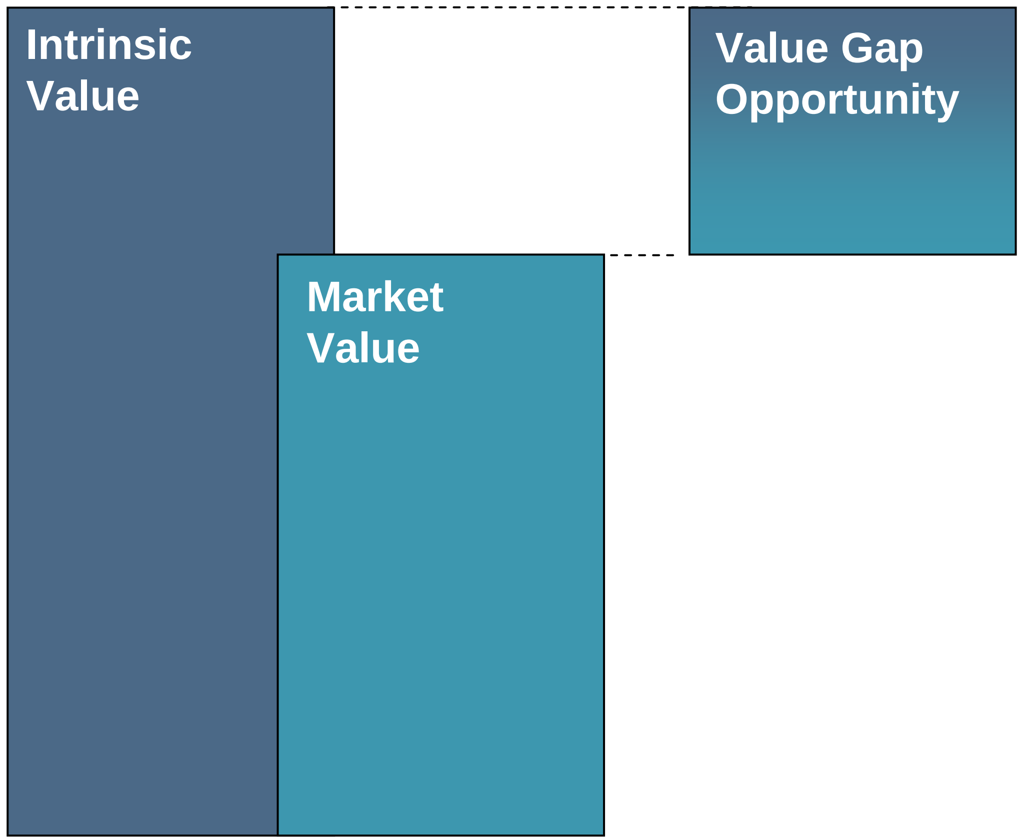
Many public companies are “undervalued”

Executives believe their company is not fully appreciated by Wall Street

Private Equity and Hedge Funds profit from undervalued public securities

“Conglomerate Discount” can be on the order of 30%

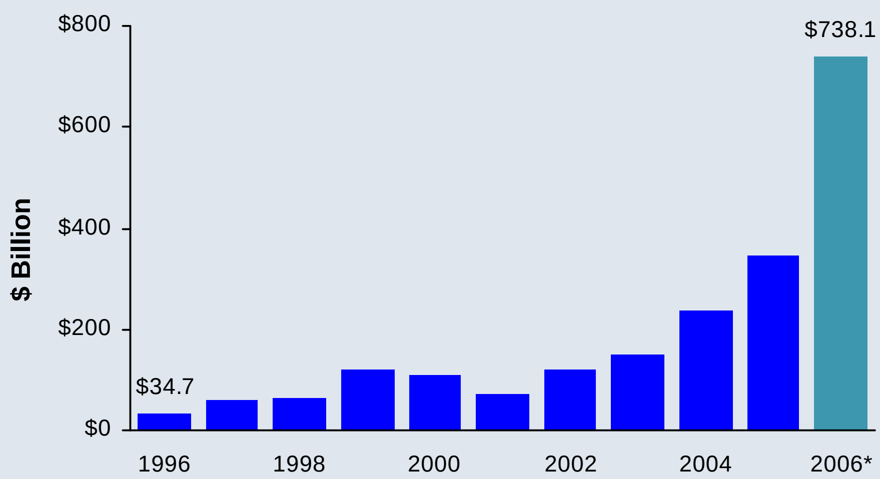
Restructuring viewed favorably by the market, with excess returns frequently generated



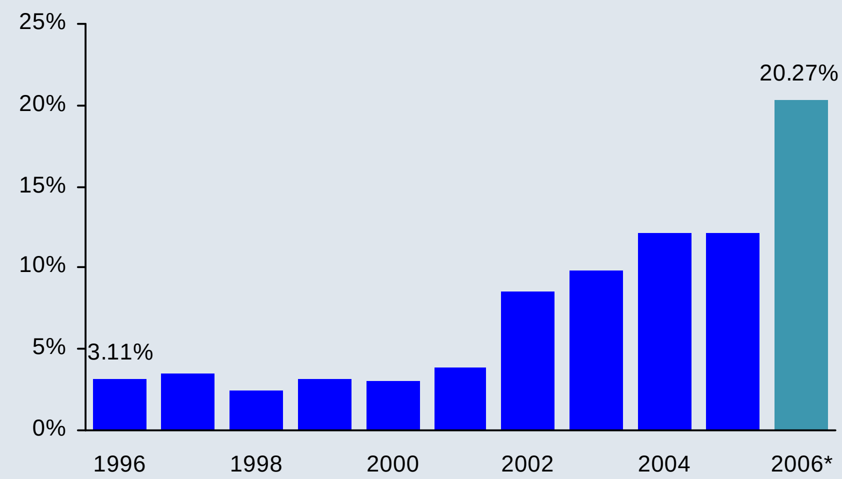
Why wait for private equity to close the gap?

The private equity revolution exploits this opportunity

Private Equity Deal Volume



Percentage of Global M&A Attributed to Buyouts



** Through December 27*
Source: Thomson Financial

Combined value-oriented ownership model with low cost of capital delivers superior returns to investors:

- Greater internal corporate governance
- Active acquisition AND divestiture strategies
- Proactively develop multiple exit options
- Levered capital structure with flexible, low cost funding
- Success attracts talent and capital, breeding more success

The value gap is an opportunity waiting to happen

Root Cause	Mechanism To Undervaluation
Strategic Fit & Freedom	A corporation's reluctance to embrace the business unit vision can constrain growth prospects and, ultimately, enterprise value … "Diversity discount" (a.k.a. conglomerate discount)
Performance Measurement & Management	Lackluster operations due to ineffective management, poor execution, lack of transparency, aligned incentives and clear accountability
Resource Allocation	Constrained resources due to the perception of more attractive opportunities or competing interests within the portfolio
Financial Policy	Unfocused financial policies (operating and strategic liquidity, leverage and funding, dividends, and share repurchases) leading to an opportunity to optimize WACC and financial flexibility

Strategic Corporate Finance

- Why Now?
- ***How We Can Help***
- Who We Are
- Sample Advisory
- Efforts Underway (Confidential)

Client concerns at the intersection of corporate finance & strategy

- How can we improve our stock price?
- Why doesn't Wall Street give us a better multiple?
- Will organic growth be sufficient to deliver adequate shareholder returns?
- What will achieving plan do for our stock price?
- What fundamental changes bring the most value to our company?
- How should we allocate capital and other scarce resources?
- Where are we creating value in our business and where are we destroying value?
- Which businesses should we fix, grow, harvest?
- How can we make this acquisition/divestiture most viable from a capital markets perspective?
- Should we remain public?

Strategic Corporate Finance

CLIENT SERVICES

- Value-Based Strategy (goal setting, value drivers, valuation of strategic alternatives)
- Corporate Portfolio Strategy
- Economic Profitability Analysis (portfolio profitability analysis)
- M&A, Divestiture, Recapitalization
- Due Diligence
- Capital Investment (valuation, capital policy, capital costs/hurdle rates)
- Capital Markets Advisory
- Financial Policy

Value-Based Strategy

Description of a Typical Client Situation

- A major consumer products company requires a new growth strategy that would achieve its shareholder value goals
  - What is an appropriate valuation range for Client A today?
  - Why is Client A valued where it is? How can Client A achieve its fair value in the market?
  - What market capitalization is most likely in 2010? What TSR do we expect?
  - What are the factors behind premium valuations in the Client A space? What impact might we expect from shareholder value initiatives?
  - What financial strategy best supports the new business strategy?

Approach & Value Add

Approach:

- Value the base business using DCF, precedent transactions, and trading comparables analysis, all on a sum-of-the-parts basis
- Create LBO analysis to determine "minimum goal" plus empirical and market expectations analysis to derive value-based corporate and Strategic Business Unit goals
- Examine value of strategic initiatives based on company/Booz Allen projections

Value Add:

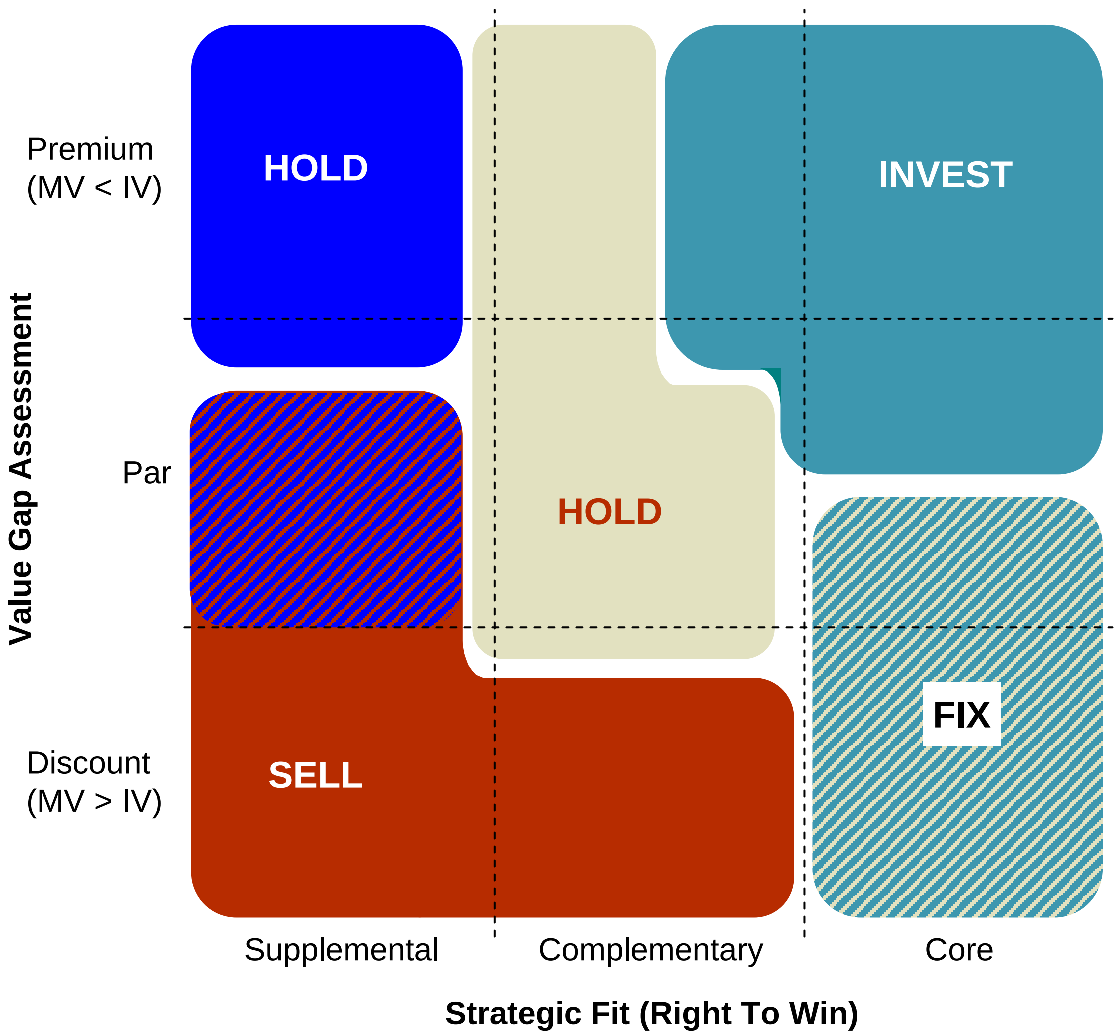
- Shape strategic priorities and the advancement of the new growth strategy

Services

- Value-Based Management (goal setting, value drivers)
- Independent business unit and conglomerate valuation
- Corporate portfolio strategy
- Economic profitability analysis

Corporate Portfolio Strategy

Portfolio Mapping Framework



Implications

- Focus on business values not accounting metrics; 3-5 year horizons not quarterly results; proactive acquisition/divestiture strategies; develop and maintain multiple exit options on each business
- "Star" businesses need to outperform the expectations already capitalized in their value to warrant holding versus selling
- Poor performing "dogs" businesses may be a "Fix" if they can not be sold at a high enough price
- Some non-core business may be a "Hold" if they contribute considerable intrinsic value and can not be sold at a high enough price
- Investment candidates are often NOT #1 or #2 in their respective markets, giving them potentially more room to grow

Economic Profitability Analysis

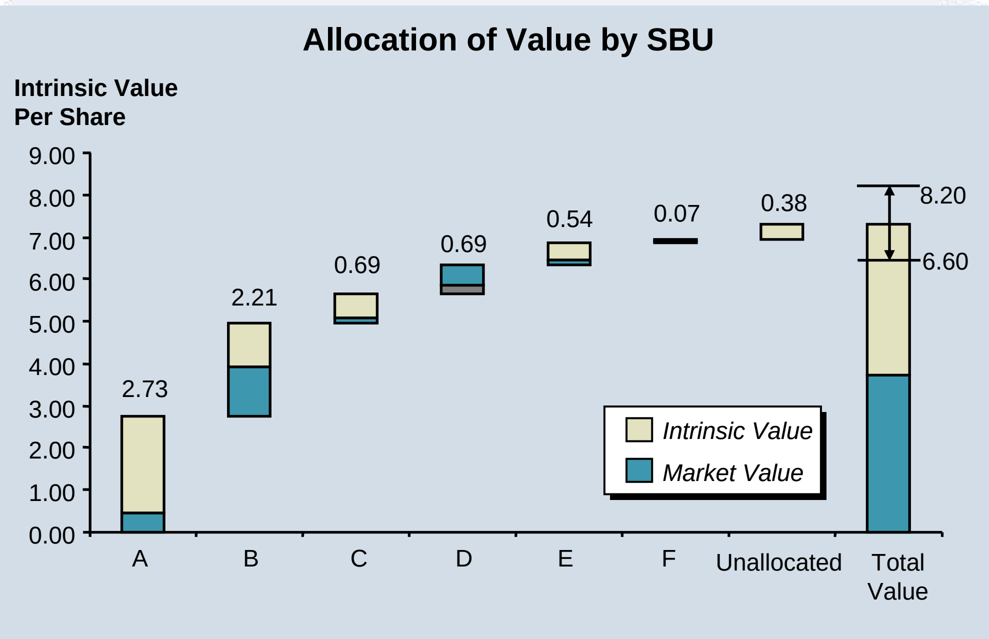
STEP 1 — **Estimate external market value by business unit**

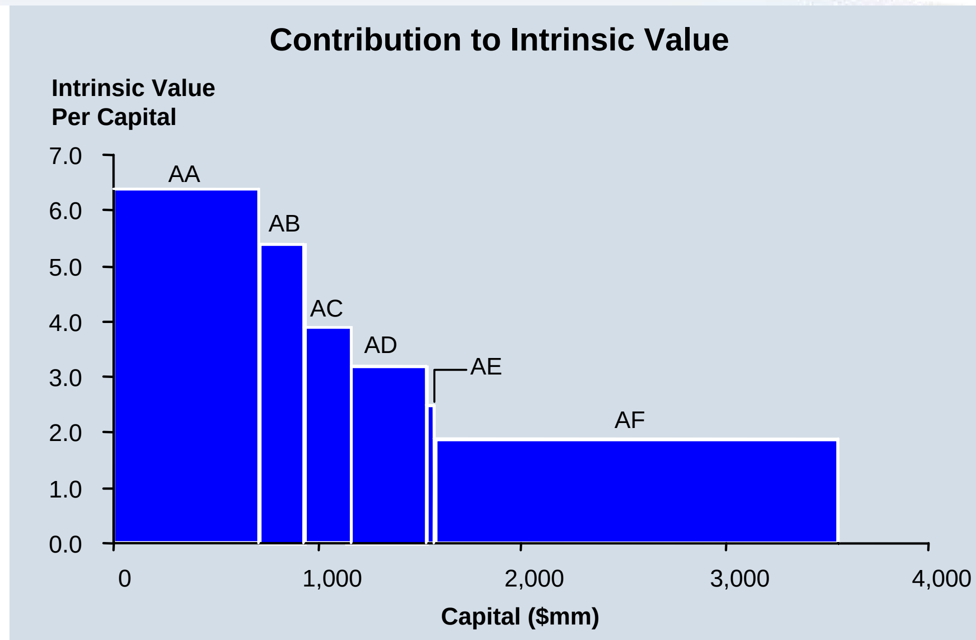
STEP 2 — **Estimate internal intrinsic value**

STEP 3 — **Identify value gaps**

STEP 4 — **Disaggregate value gap opportunity**

STEP 5 — **Develop detailed value gap analysis**





M&A Advisory

Description of a Typical Client Situation

- Client required to evaluate a specific acquisition opportunity identified in the development of their growth strategy
  - Is there a viable deal here?
  - How would Wall Street react to this transaction?
  - How would we best manage this reaction?
  - What operational and financial synergies can be realized from an acquisition of Target X and what is their value?
  - What premium should we expect? What consideration should we employ? What structure should we employ?
  - What is our approach strategy? How do we move forward both internally and externally?

Approach & Value Add

Approach:

- Identify and value operational and financial synergies
- Analyze transaction considerations in the context of balancing equity and fixed income investor expectations
- Perform pro forma financial analysis to assess how equity analysts and investors might respond to this transaction, as well as fixed income investors and credit rating agencies
- Develop approach strategy for all key stakeholders

Value Add:

- Provide independent perspective on deal viability within the context of likely premium and consideration needs
- Optimal deal premium, consideration and structure

Services

- Divestiture / Recapitalization Support
- Optimal Capital Structure
- Use of Proceeds
- Shareholder Distributions (dividends, buybacks)
- Financing Decisions (impact and implications of equity, convert and bond issuance alternatives)

Due Diligence

Description of a Typical Client Situation

- Client required to identify and value cost improvement opportunities and estimate possible reductions in management's capital expenditure plans:
  - What are the principal performance improvement opportunities available?
  - How do these opportunities compare vs. management's plan?
  - What is the timing of improvement possibilities?
  - What is the probability of realizing these opportunities in view of the current labor and regulatory environment?
  - What can we learn from recent industry developments in the US and European markets?

Approach & Value Add

Approach:

- Employ “top-down” external comparables to assess targets performance for each business segment
- Through a “bottom-up” approach, quantified both the operational and capital expenditure opportunities
- Prioritize opportunities in terms of time horizon and business risk
- Establish preliminary 100 day plan to realize these improvements through organizational and leadership tasks and milestones

Value Add:

- Provide independent perspective on improvement opportunities
- Translate insights into valuation implications

Services

- Industry analysis (market, customers, competition)
- Target assessment
- Synergies and improvement opportunity appraisal
- Post signing and pre closing support

Capital Investment

Description of a Typical Client Situation

- Client required to identify and value cost improvement opportunities and estimate possible reductions in management's capital expenditure plans:
  - How should we prioritize investments to support our organic growth strategy?
  - What is the appropriate hurdle rate for specific investment opportunities?
  - Are our investment decision criteria correct?
  - Are we foregoing value creating investment opportunities?
  - How can we track investment performance?
  - Should we reduce our dividend payout to grow the business?

Approach & Value Add

Approach:

- Determine optimal capital investment plan through the adequate use of DCF, sensitivity, scenario and real option tools
- Evaluate the prioritization and timing of strategic investments
- Assess economic impact, and estimate analysts and investors reaction to the proposed plan
- Establish adequate capital budgeting and governance procedures

Value Add:

- Assure that capital budgeting procedures are aligned with shareholder value
- Provide an independent view of investment's value creation potential

Services

- Economic profitability analysis
- Strategic initiative valuation
- Capital cost / hurdle rates
- Performance management

Capital Markets Advisory

Description of a Typical Client Situation

- Companies face a diverse set of challenges:
  - What drives our share price?
  - Should we provide earnings guidance? How can we best manage our equity and credit analysts?
  - What management and reporting structure is best from the market's perspective?
  - How will the markets react to this acquisition? Our new strategy? This divestiture?
  - What financial policy will best support our new strategy? How can we finance our new growth strategy? What are the capital structure solutions to our pension liabilities?
  - Should we hedge our currency exposure? What is the optimal mix between fixed and floating rate debt?

Approach & Value Add

Approach:

- Determine the optimal mix of financing options across all debt, equity and hybrid products
- Assess best strategy for negotiating with debt investors and equity underwriters
- Analyze optimal debt currency mix in view of current and expected exposure
- Measure and analyze operational and financial risk
- Analyze investor and analysts perspectives

Value Add:

- Provide impartial, independent perspective on optimal financing alternatives
- Maximize value creation through an adequate use of financing options

Services

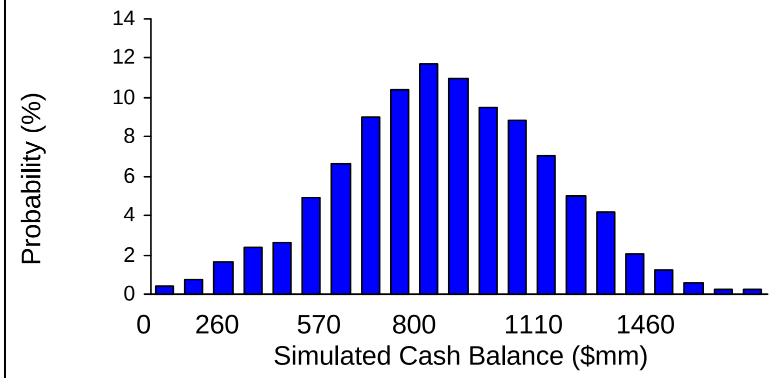
- IPO, equity placements, and debt raising advisory
- Credit rating strategy
- Optimal capital structure
- Risk management / hedging
- Financing decisions (impact and implications of equity, convert and bond issuance alternatives)
- Investor relations

Financial Policy

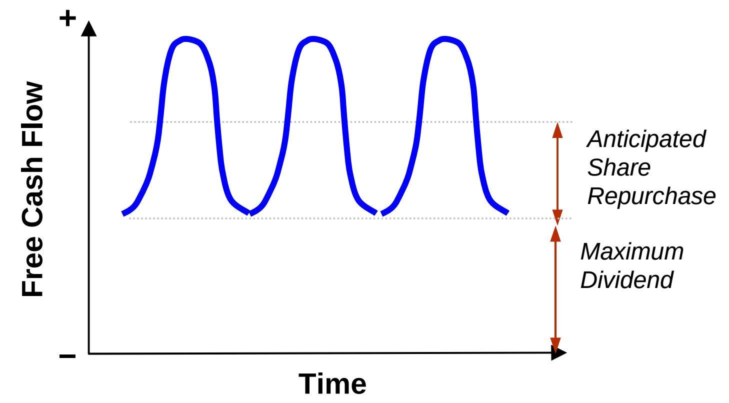
Financial Policy

Financial Leverage	‣ Accelerate debt reduction to match near term maturity schedule of $1B from excess cash ‣ Target leverage of Xx-Yx DebtEBITDA, XX%-YY% RCF/Debt, and Xx-Yx EBIT Coverage
Operating Liquidity	‣ Target $1bn of cash for adequate operating liquidity, plus an additional $300-$500mm for event risk ‣ Re-examine these levels as event risk declines and investment grade is reached
Shareholder Distributions	‣ Hold dividend flat to allow company to “grow” into this level within X-Y quarters ‣ No capacity for share repurchases until dividend becomes more appropriate and investment grade is reached
Investment Strategy	‣ X-Ybn available from excess cash/investments plus free cash flow over the next 5 years for strategic investment ‣ Clarify commitment to investment grade rating and financial policies

Liquidity Simulation



Dividend Capacity Analysis



Strategic Corporate Finance

- Why Now?
- How We Can Help
- ***Who We Are***

Booz Allen is one of the leading management and technology consulting firms in the world

Who We Are...

- One of the largest and most experienced general management consulting firms
  - Founded in 1914 in Chicago
  - More than 10,000 professional staff, serving clients globally
  - Over 80 offices in 40 countries
- Our business model is driven by global industry practices emphasizing industry expertise to better serve clients
- Owned by 270 active partners

Our Customer Base...

- Over 80% of our work is for clients with whom we have previously worked
- Our clients include most of the leading public corporations
- 70 of the world's 100 largest corporations
- More than 400 of the Fortune 500
- All large global energy companies and most regional players
- In addition, we work with:
  - Private firms
  - Selected smaller firms
  - Governments

Booz Allen is unique in its ability to provide a combination of industry expertise with multiple functional disciplines

Who We Are...

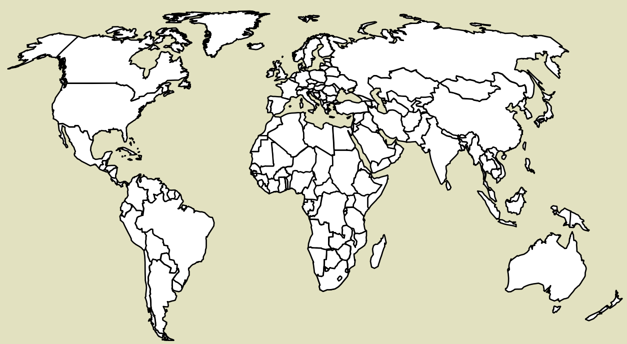
Industry Expertise

Functional Expertise

- Energy, utilities and process industries
- Consumer products, retail and health
- Financial services
- Automotive, aerospace, industrials
- Communications, media and technology

- Strategy
- Information Technology
- Organization and Strategic Leadership
- Operations
- Government

Global Presence



What We Do...

- Booz Allen delivers end-to-end strategy-based transformation solutions through multi-disciplinary skills…
- …and through our industry expertise which spans virtually every major industry sector
- We have leading edge operations capabilities (supply chain, manufacturing, sourcing)...
- …and a full array of in house technology capabilities (systems, packages, e-enabled)

A recent independent survey of US consulting clients rated Booz Allen #1 for favorability and performance

- In 2003, Kennedy Information surveyed more than 100 U.S. C-level clients to measure satisfaction for GMC services
  - Strategy, IT, Ops, and HR consulting firms were rated
  - Clients rated firms on a favorability scale (1=unfavorable;5 =most favorable) and across specific performance criteria, e.g., expertise, implementation, quality, thought leadership, timeliness

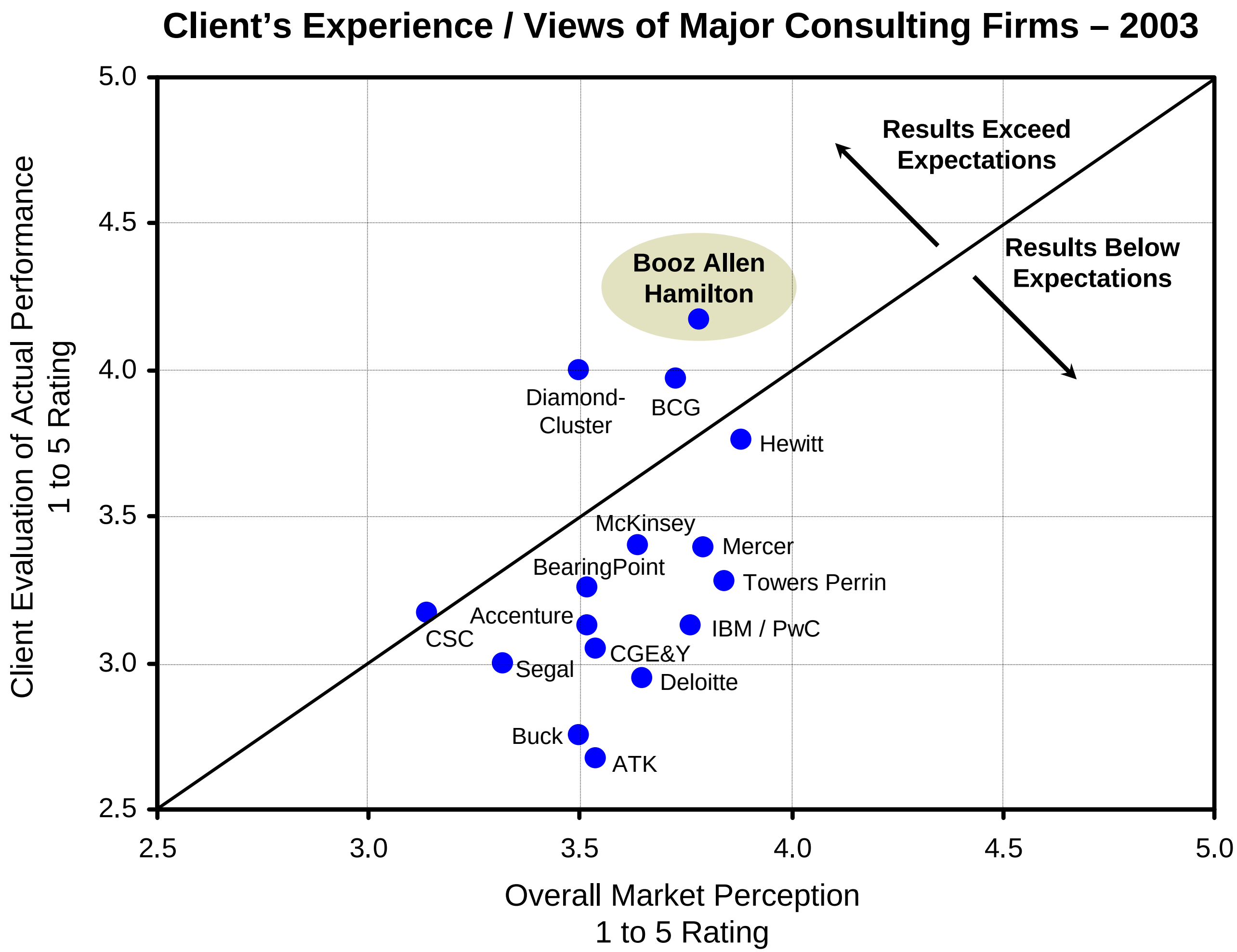
"(Booz Allen) …has developed a strong market reputation by delivering to clients consistently over time, and by offering good depth of expertise at the right price."
– Kennedy Information Client-Side Intelligence Report

The Market's General Perception of Select Strategy Firms

Rating	Firm	% of Ratings That Were Favorable	% of Ratings That Were Unfavorable
3.78	**Booz Allen Hamilton**	**65%**	**1%**
3.73	Boston Consulting Group	63%	7%
3.64	McKinsey & Company	59%	12%
3.57	Mercer Management Consulting	47%	5%
3.55	Marakon Associates	36%	0%
3.54	A.T. Kearney	57%	9%
3.50	DiamondCluster	50%	6%
3.36	Bain & Company	42%	13%
3.33	Huron Consulting Group	25%	0%
3.32	Monitor Group	32%	5%
3.27	LEK Consulting	45%	18%

Source: Kennedy Information

Clients rated Booz Allen #1 in overall performance based on high scores in key criteria



Booz Allen Hamilton Rated #1 in Overall Performance

- #1 in Timeliness
- #1 in Implementation
- Tied #1 in Thought Leadership
- #2 in Expertise
- #2 in Quality

Source: Kennedy Information's 2003 The Client-side Intelligence Report: Purchasing Behavior, Brand Awareness, and Firm Perceptions
Note: Based on a survey of 116 client organizations with a total annual consulting spend of >$1 Billion, performance rating is average of client ratings of six distinct dimensions of consultant performance: timeliness, implementation, thought leadership, expertise, price & quality

Booz Allen Hamilton: Thought Leaders in Corporate Finance