

AUGUST 2, 2018 // LEXINGTON, MA
LEADING TRANSFORMATION: A CEO Summit



THE GROWTH IMPERATIVE

CHOOSING TO LEAD TRANSFORMATIONAL GROWTH

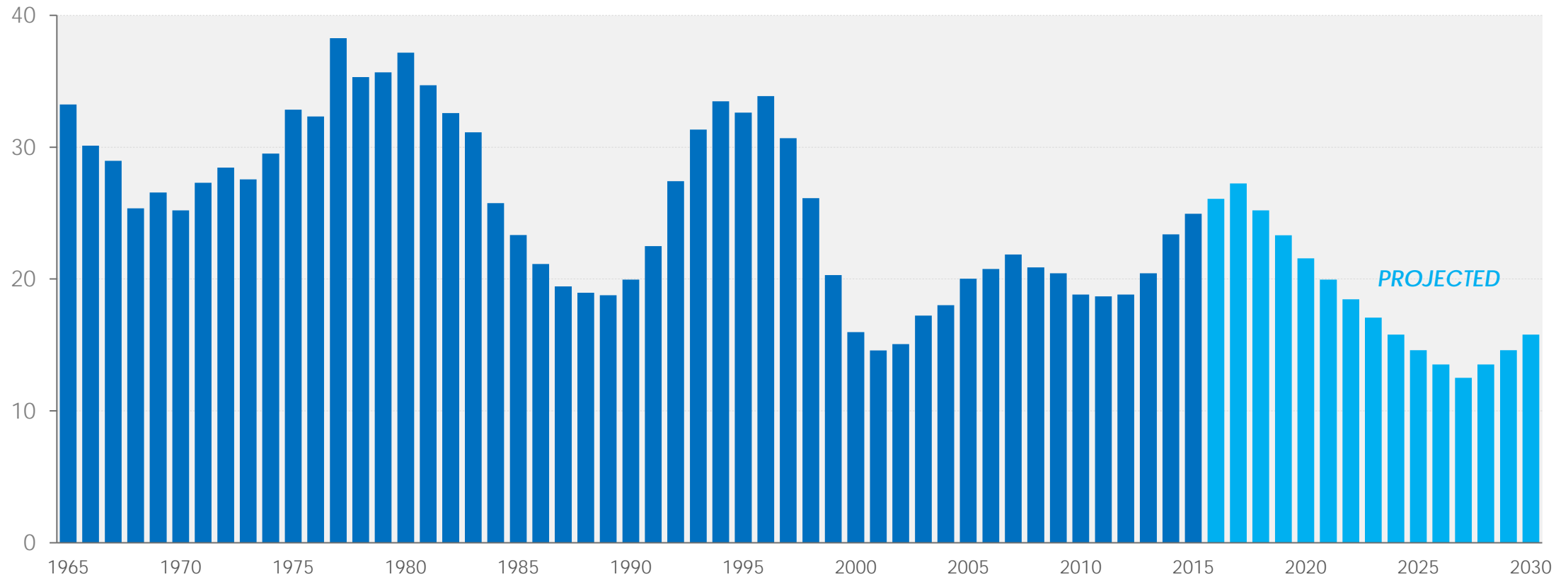
INNOSIGHT CEO SUMMIT • AUGUST 2, 2018

Patrick Viguerie, Managing Partner

Corporate lifespans continue to decrease as disruption increases

AVERAGE LIFESPAN ON S&P 500 IN YEARS

Rolling 7-year averages



Choosing to grow – five key messages

1 **Decide whether to grow or go** ... Nothing else works over the long term

2 **Recognize that where-to-play choices** will enable – or limit – your growth

3 **Determine whether** to build a transformative growth platform or focus solely on the core – A and B, or just A?

4 If you serious about transformation, prepare to **make some curve-bending moves**

5 **Apply granularity** to sharpen insights and decisions about markets, opportunities, and your growth portfolio



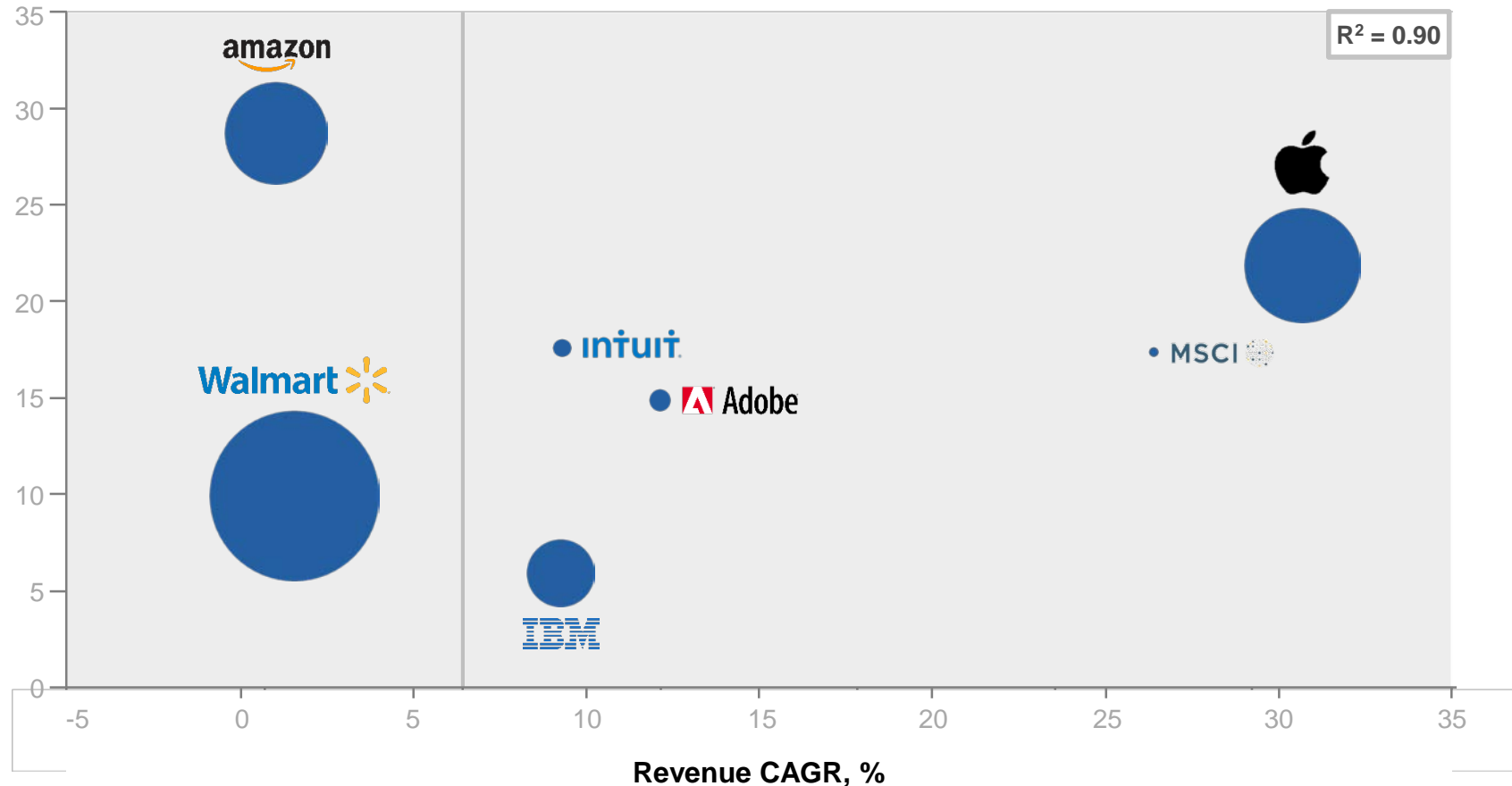
Long-Term Value Creation associated with Revenue Growth, not Margin Expansion

Estimate

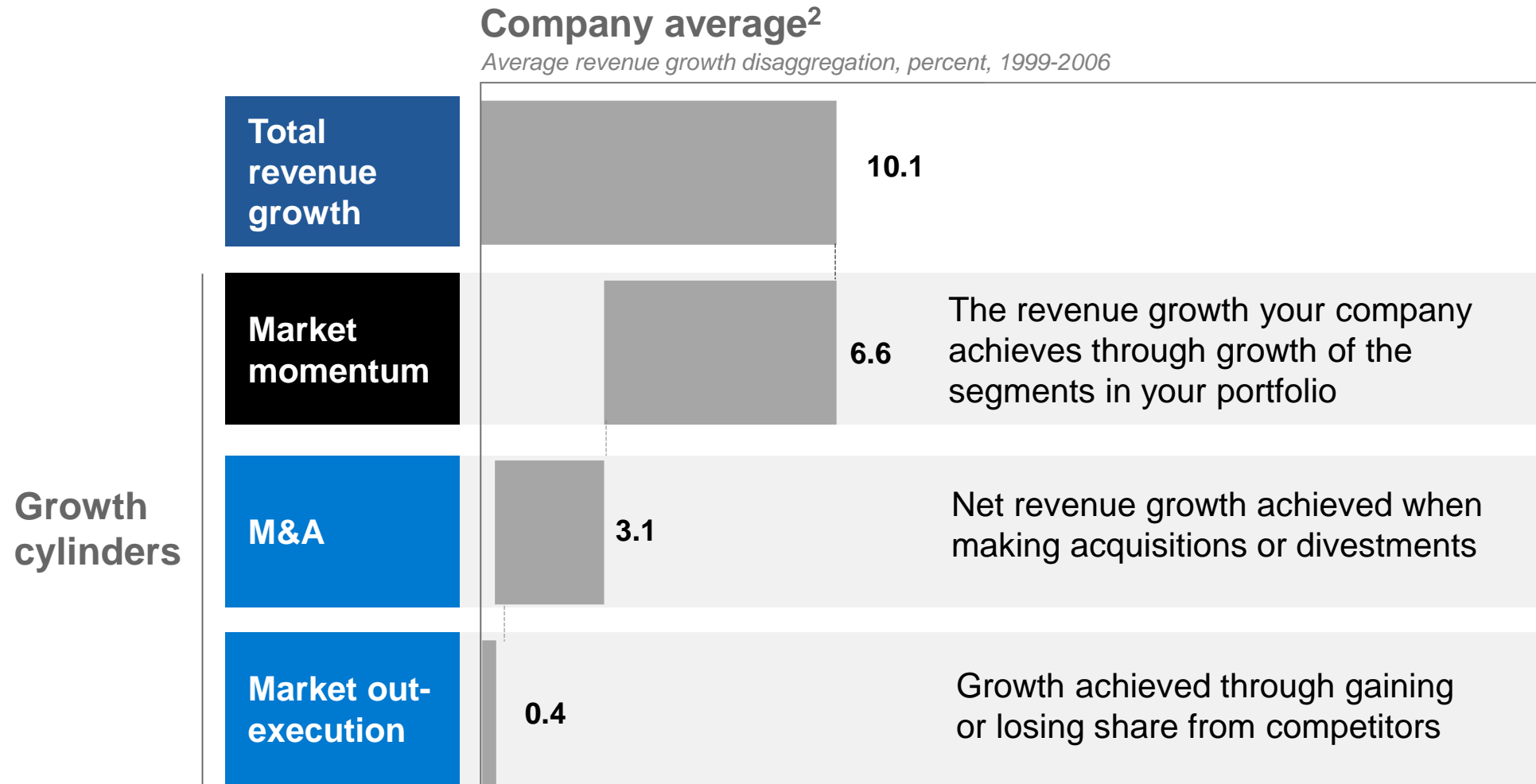
10-YEAR TRS, MARGIN EXPANSION & REVENUE GROWTH

Annualized TRS, %

Diameter reflects LFY Revenue



All growth comes from three growth cylinders – Where-to-play choices dominate



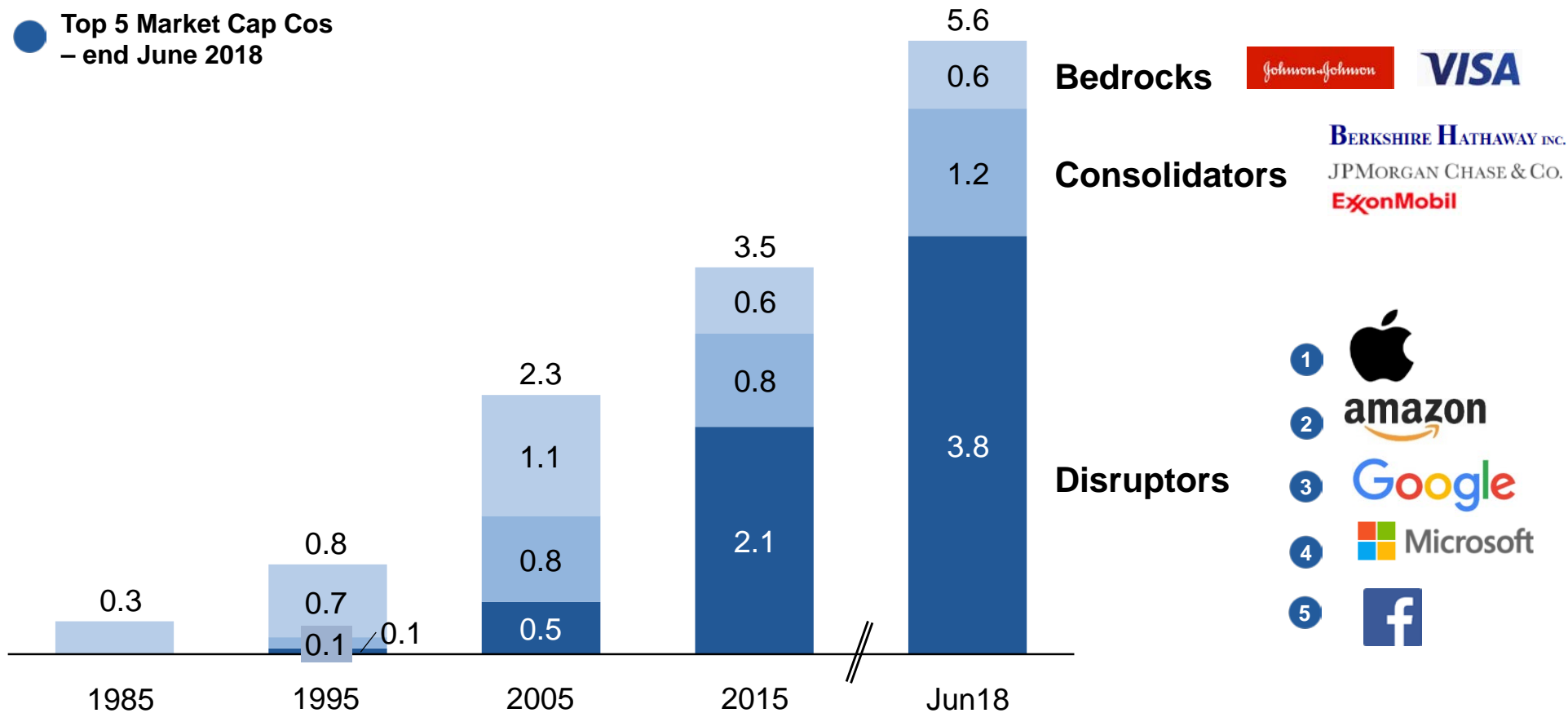
¹ Includes companies analyzed during the period within 1999 and 2011 for various timeframes ² Based on the average of 834 companies

Disruptors now dominate the S&P top 10

MARKET CAP OF TOP 10 S&P 500 COMPANIES – 1985 TO 2017

US\$-Billions, nominal

● Top 5 Market Cap Cos
– end June 2018

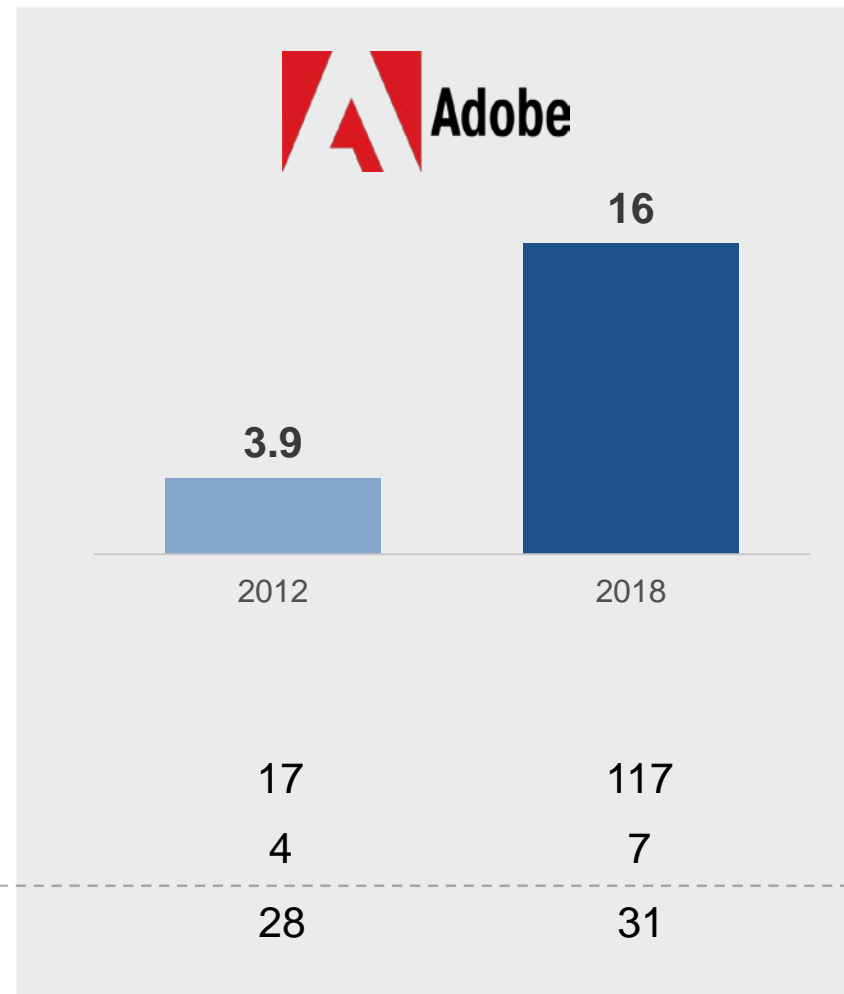
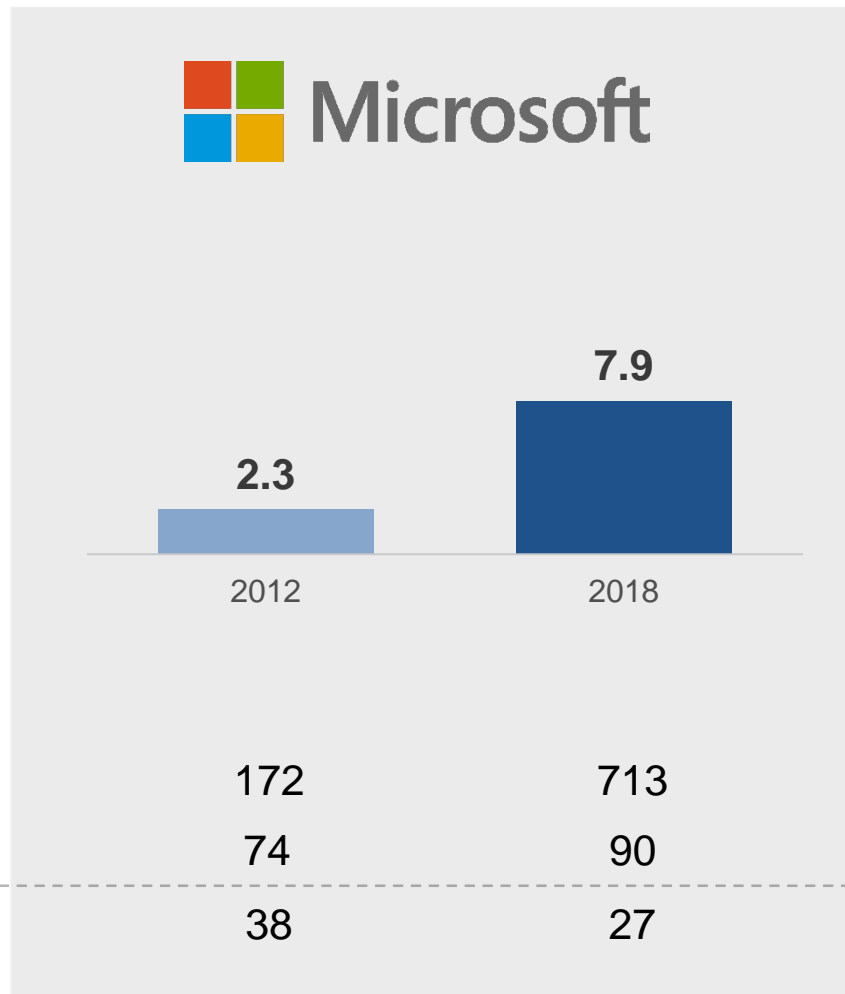


**NO ONE HAS EVER BEATEN DISRUPTION
JUST BY TRYING TO DO
WHAT THEY CURRENTLY DO BETTER**

Microsoft and Adobe enjoyed significant Multiple Expansion based on “Where to Play” Choices

ENTERPRISE VALUE-TO-REVENUE MULTIPLE
Dec12 v Jun18, x

Estimate



Relative Revenue

\$-Billions

Enterprise Value

LFY Revenue

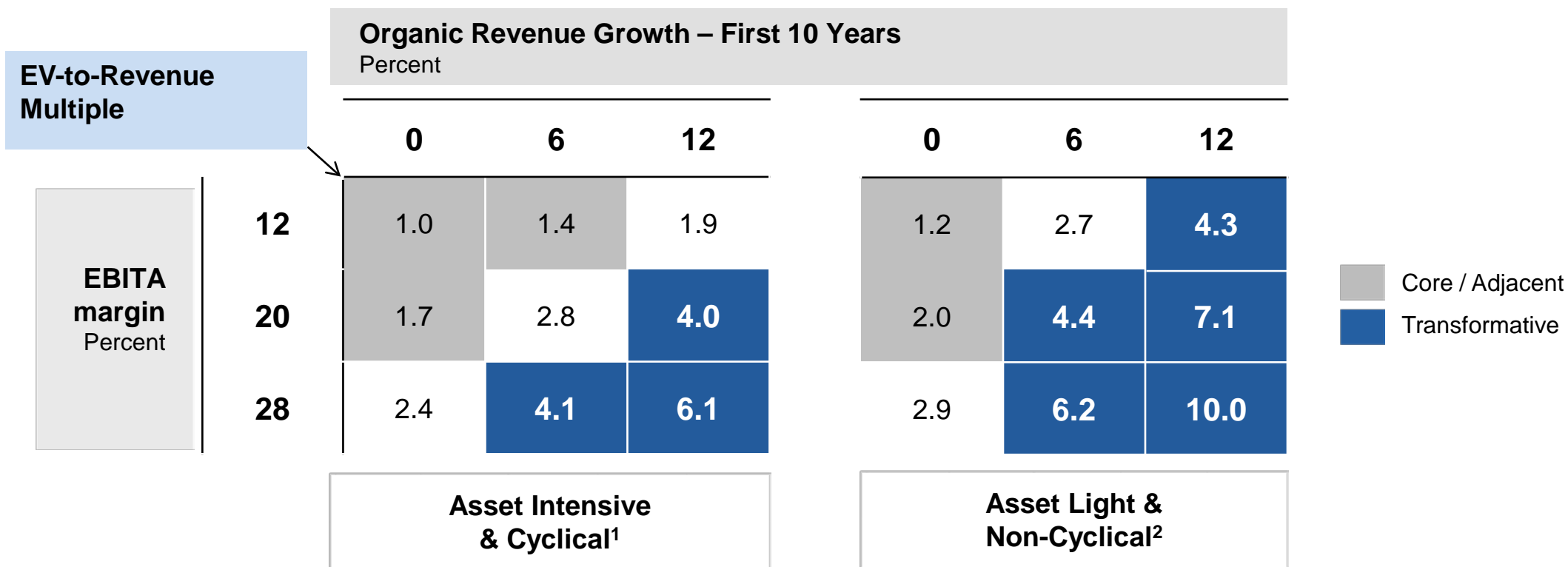
LFY EBITA Margin, %

172	713
74	90
38	27

17	117
4	7
28	31

Revenue Multiples show relative Value of Core, Adjacent and Transformative Innovation

Valuation Sensitivity based on Platform Type



1 WACC = 9%; Tax Rate = 25%; Revenue Growth Cap in Terminal Value = 3%; OIC-to-Revenue = 0.6

2 WACC = 7.5%; Tax Rate = 25%; Revenue Growth Cap in Terminal Value = 3%; OIC-to-Revenue = 0

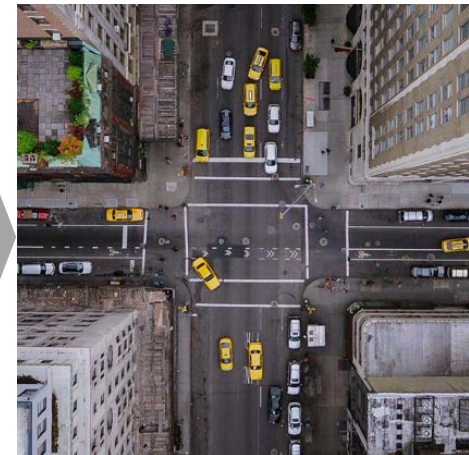
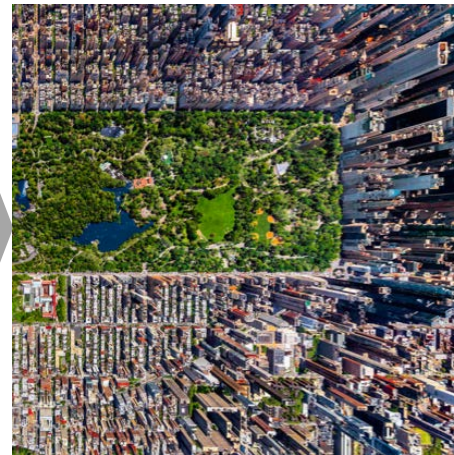
Big moves; big difference – what are your “curve benders?”

- 1 **Programmatic M&A**
- 2 **Productivity transformation**
- 3 **Significant resource reallocation**
- 4 **Sustained capital investment program**
- 5 **Major business model differentiation improvement**

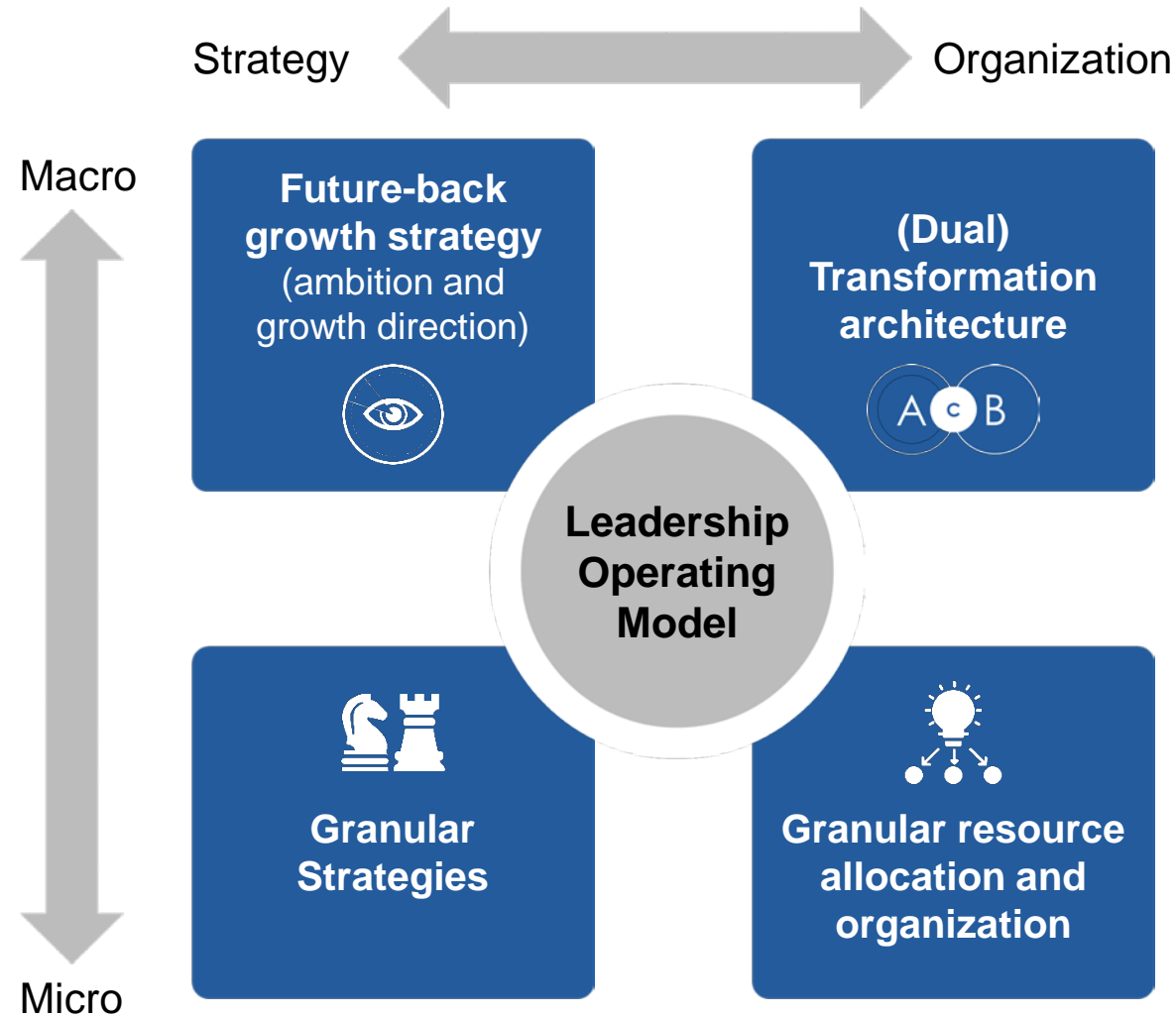


The power of granularity

- Originally a scientific and engineering term, now a “household word” in business
- Refers to the size of the components of a larger system
- Cuts through the tyranny of the “averaged view”



The pieces of the puzzle – toward an integrated growth architecture



Four pieces of the puzzle – toward an integrated growth architecture

