

COVID-19 BCG Perspectives Series

Facts, scenarios, and actions for leaders

Value protection and acceleration roadmap to win in the new reality

16 June 2020

COVID-19 BCG Perspectives

Objectives of this document

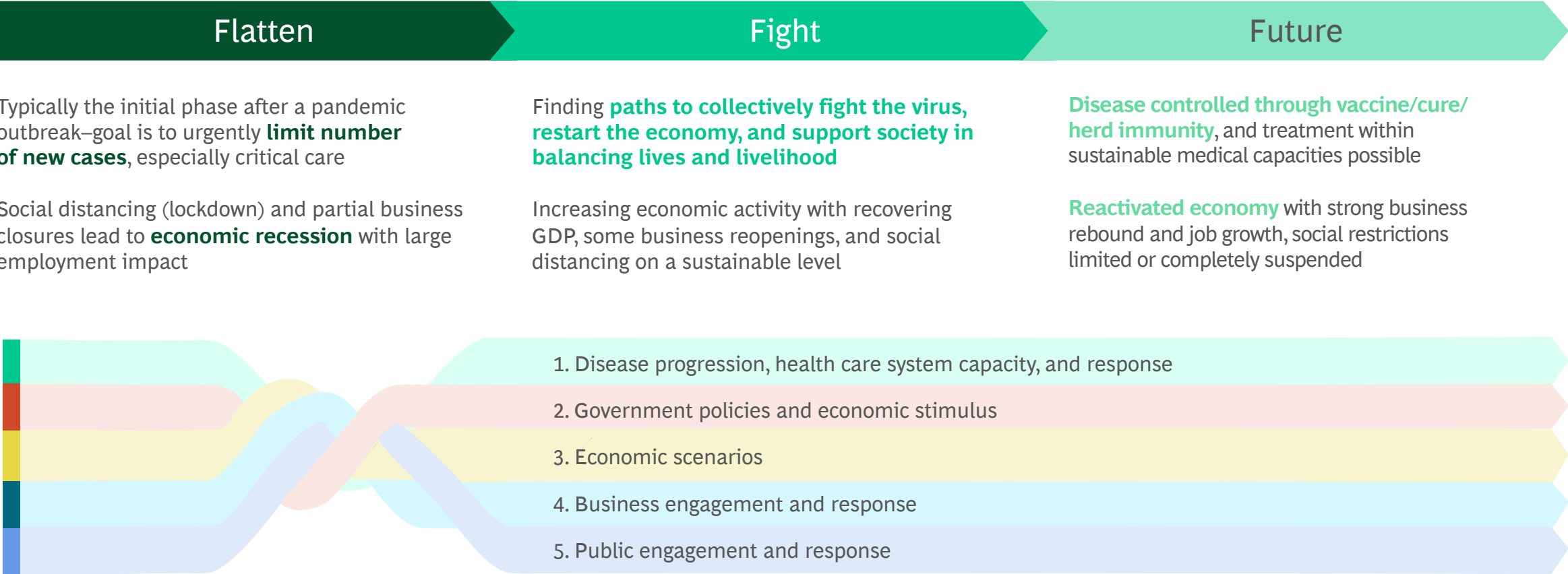
COVID-19 is a global societal crisis

We at BCG believe that the COVID-19 outbreak is first and foremost a societal crisis, threatening lives and the wellbeing of our global community. Society now, more than ever, needs to collaborate to protect people's lives and health, manage mid-term implications, and search for lasting solutions.

Leaders need to drive an integrated response to navigate the crisis

It is the duty of health, political, societal, and business leaders to navigate through this crisis. A complex interplay of epidemic progression, medical response, government action, sector impact, and company action is playing out. This document intends to help leaders find answers and shape opinions to navigate the crisis in their own environments. It encourages thinking across the multiple time horizons over which we see the crisis manifesting itself.

COVID-19 will be a journey with three distinct phases, requiring an integrated perspective



All of the above five factors result in specific economic and social outcomes in each phase

Executive Summary | COVID-19 BCG Perspectives

As we navigate the 'Fight' phase, Leadership Teams should develop a winning value protection and acceleration roadmap with integrated business, financial, and investor strategies that strengthen the share price, and drive strong and sustainable Total Shareholder Return (TSR)

- Equity markets have been highly volatile through the crisis and a wide variation in TSR¹ performance is visible across and within sectors
- In this uncertain environment, investors are giving leadership teams flexibility and expect companies to 'use the crisis' to build long-term advantage
- It is more important than ever to build a value protection and acceleration roadmap to become both 'a great company' and 'a great stock'
- To do this right, leadership teams will need to focus intensely on six imperatives: 'de-average' shareholder value, understand your investor, challenge your plan, sharpen capital allocation, explore bold portfolio moves, and create an ownership culture
- Driving shareholder value requires addressing the needs of all key stakeholders: customers, employees, suppliers, communities, and shareholders

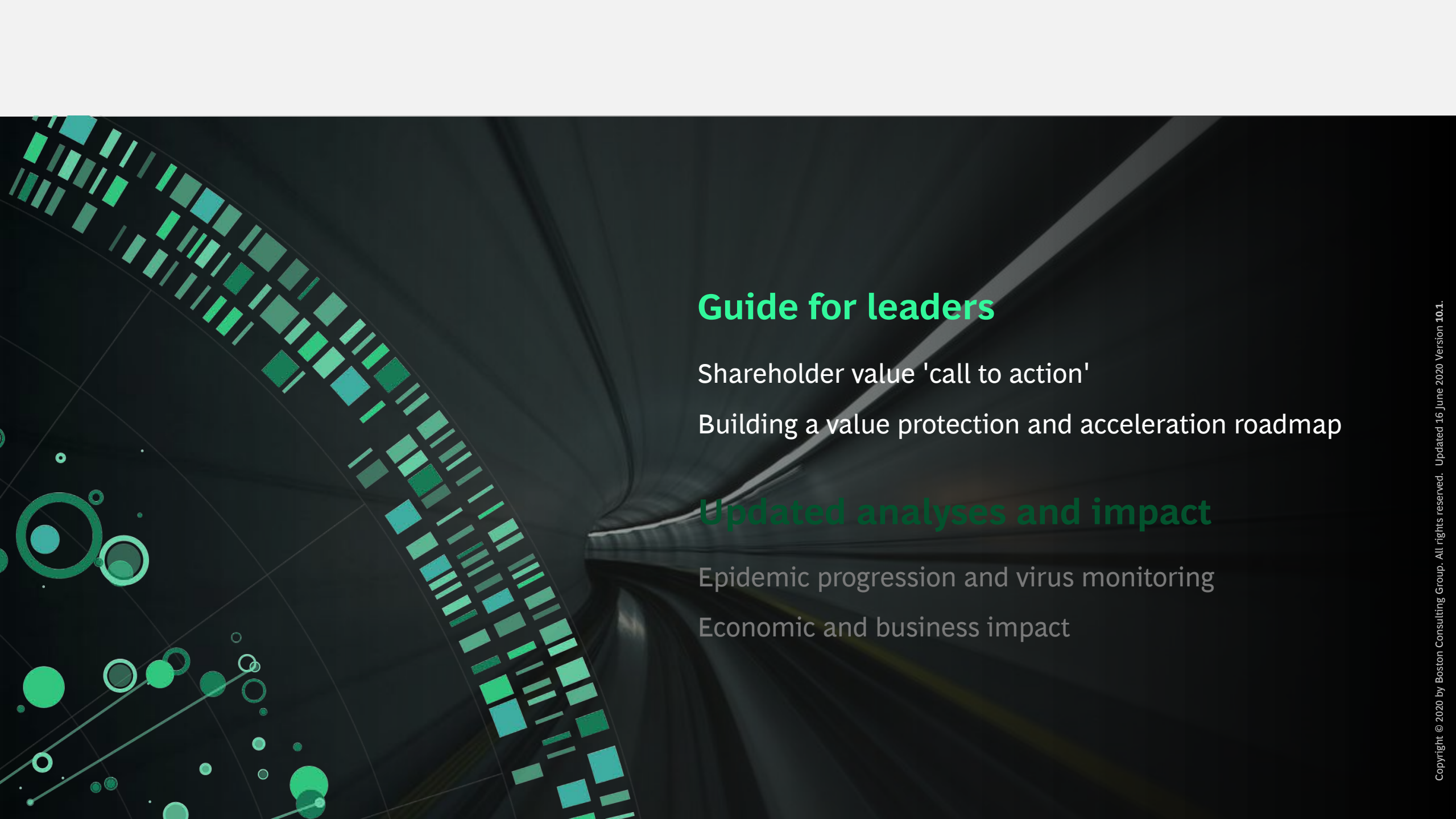
Across countries, efforts to flatten the curve continue; severe global economic downturn expected for 2020

- Globally, 3.6 million patients have recovered from COVID-19; growth rate of daily new cases at ~1%²
- Increase in daily new cases is propelled by South America, Asia, and Africa, while Europe and North America continue to improve
- Vaccine and therapeutics development continues to move at unprecedented pace; nine vaccine candidates currently in phases I, II, and III
- Recent economic forecasts point toward severe downturn in 2020; rebound of global GDP is not expected before 2021
- Despite rebound in the recent past, no sector at pre-crisis TSR¹ levels

We believe during this crisis leaders need to think along two dimensions:

Taking an integrated perspective on health/medical progression, governmental responses, societal reactions, and economic implications to understand business/sector impacts

Thinking multi-timescale in a Flatten-Fight-Future logic



Guide for leaders

Shareholder value 'call to action'

Building a value protection and acceleration roadmap

Updated analyses and impact

Epidemic progression and virus monitoring

Economic and business impact

COVID-19 Impact dashboard

As of 12 June 2020

Epidemic Progression

7.6M

of cases

3.6M

of recoveries

425K

of fatalities

Growth rate¹ of daily new cases

5 June

2.2%

12 June

0.9%

of days of case doubling²

36

39

of reported recoveries as % of total cases

45%

47%

of tests / case³

18

19

of tests / million³

48K

54K

Vaccine

Treatment

Trials in pre-clinical stage and beyond⁴

160

128

Trials in Phase 1 and beyond⁵

9

55

Current est. timeline for approval & scale-up

9-33 months⁶

6-21 months⁷

Economic Impact

GDP forecasts (%)

World Bank (8 June)

Banks⁸

2020

-10 -8 -6 -4 -2 0 2 4 6 8 10

Europe

-9.1% Baseline 1.0%⁹

US

-6.1% 1.8%

Japan

-6.1% 0.7%

China

1.0% 5.9%

India

-3.2% 5.8%

Estimated employment impact

Total employment 2019 (M)

Employees impacted¹⁰ (M)

% of employees impacted

US

159

44

28%

UK

33

10

29%

Germany

45

12

26%

France

28

13

48%

Italy

23

8

35%

Spain

20

4

22%

Business Impact

Stock market performance¹¹

20 Mar vs 21 Feb

-31%

-28%

-30%

-34%

-10%

12 June vs 21 Feb

-9%

0%

-18%

-12%

-4%

S&P500

NASDAQ

FTSE100

DAX

CHN SSE

Total Shareholder Returns (S&P1200)¹¹

First column: 21 Feb to 20 Mar; Second column: 21 Feb to 12 June

Americas

Europe

Asia

Pharma

-19% **-1%**

-20% **-6%**

-22% **7%**

F&B¹²

-26% **-10%**

-24% **-13%**

-12% **-3%**

Telecom

-17% **-8%**

-20% **-18%**

-14% **-10%**

Software

-30% **-6%**

-32% **-13%**

-28% **-4%**

Retail

-42% **-11%**

-36% **-16%**

-24% **12%**

Capital goods

-38% **-16%**

-35% **-18%**

-29% **-5%**

Auto

-47% **-18%**

-45% **-19%**

-32% **-10%**

Real Estate

-42% **-26%**

-26% **-26%**

-22% **-10%**

Energy

-56% **-29%**

-45% **-27%**

-41% **-23%**

Banks

-41% **-26%**

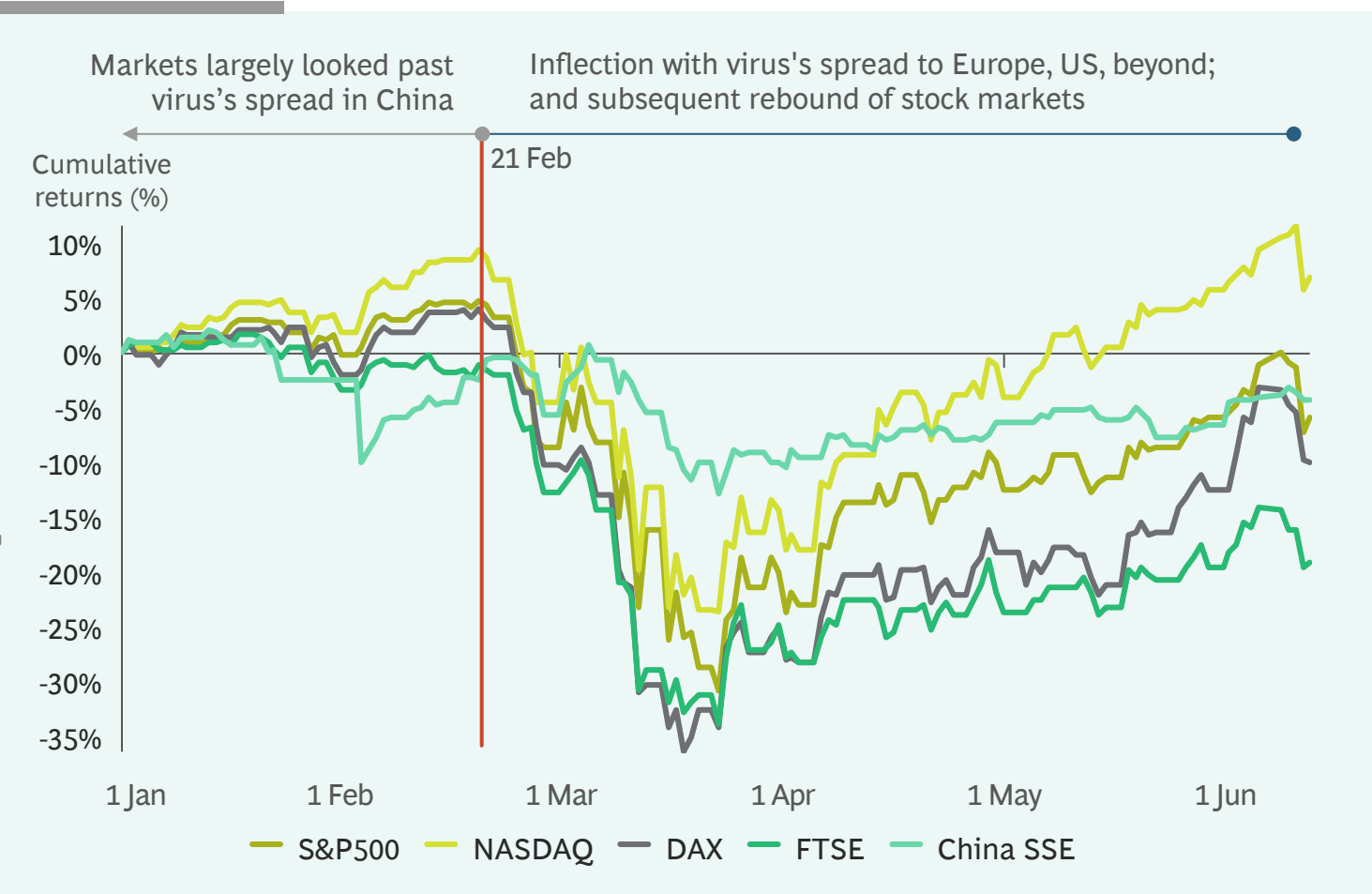
-44% **-35%**

-26% **-13%**

1. Growth rate calculated basis rolling 7 day rolling average of new cases; 2. No. of doubling days based on 7 day average growth rate of total cases; 3. Median of values for top 15 countries by nominal GDP (except China); 4. Ongoing trials including pre-clinical, Phase 1 (first trial in humans), Phase 2, Phase 3, Phase 4; 5. Ongoing trials including Phase 1 (first trial in humans), Phase 2, Phase 3, Phase 4; 6. 9 month development current "best case" for first supply (12 months since Apr 2020), then likely to require time for scale-up and continuing to prepare for populations; 7. Remdesivir is approved now, could be more widely available by Jul-Sep 2020. For the next wave, estimated timeline is Oct '20 - April '22 (6-21 months). If first round of drugs being tested succeeds - then 6-9 months; if not - substantially longer; 8. For India, forecast is for financial year; for others, it is for calendar year; YoY forecasts; Range from forecasts (where available) of World Bank, International Monetary Fund, JP Morgan Chase; Goldman Sachs, Morgan Stanley; Bank of America; Fitch Solutions; Credit Suisse; Danske Bank; ING Group; HSBC; As of reports dated 12 April 2020 to 5 June 2020; 9. World Bank January 2020 forecast; 10. Available cumulative data as of 05 June 2020 from mid of March 2020; Includes increase in unemployment & employees covered by gov. wage support programs; US: unemployment insurance claims (data as of 11 June); UK (data as of March) and Italy (data as of April) active & inactive unemployment; Germany: short-time work requests, may not actually utilized (data as of May); France: (data as of June); Spain: (data as of May); figures are changing rapidly and often being reported with a lag from the current date; 11. Sectors are based on Global Industry Classification Standard (GICS) definitions; Performance is tracked for two periods, first from 21 February 2020 (before international acceleration of outbreak) to 20 March 2020 (trough of the market) and from 21 February 2020 through 12 June 2020; 12. Food & Beverage. Source: WHO, World Bank, JHU CSSE, Our World in Data, IMF, Bloomberg, BCG, Eurostat (Europe), Gov't Wage Support & Unemployment figures & comments: UK Govt 5/12 (UK), ISTAT 4/30 & FitchRatings 5/18 (Italy), U.S. Department of Labor 5/21 (US), Ministerio de Trabajo 6/2 (Spain), Ministère du Travail 6/5 (France), Arbeitsagentur 6/3 (Germany)

Global equity markets have been highly volatile through the crisis and in the resulting rebound from March lows

As of 12 June 2020



Faster rebound

Most stock markets have rebounded rapidly within four months¹ compared with 13+ months² during the Global Financial Crisis; NASDAQ hit all-time high³ on 5 June

Continued high volatility

In spite of rapid rebound, volatility continues to be higher (25-41⁴) compared with pre-COVID levels (14-19⁵)

1. Starting 21st February 2020; 2. Time taken by S&P500 to come within +/-5% of price on 26/09/2008; 3. NASDAQ subsequently closed on all-time highs on 8 June 2020, 9 June 2020 and 10 June 2020; 4. 15-day VIX range from 22 May 2020 to 12 June 2020; 5. 15-day VIX range from 30 Jan 2020 to 20 Feb 2020. Source: BCG

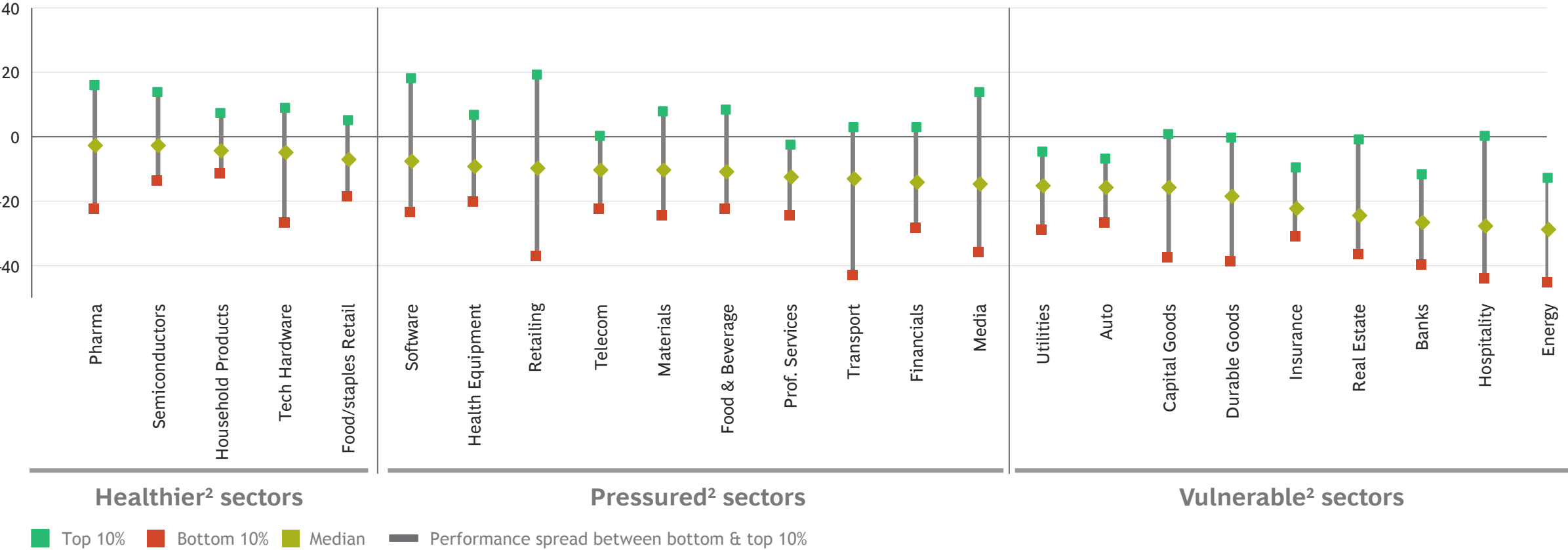
A wide range of TSR performance visible across and within sectors

As of 12 June 2020

Based on top S&P
Global 1200 companies

Total Shareholder Return (TSR) = Change in share price + dividend yield

Total Shareholder Return from 21 Feb 2020 to 12 June 2020 in % per sector¹



1. Sectors are based on Global Industry Classification Standard (GICS) definitions ; data as of 12 June 2020 2. Categories are defined based on comparison with S&P Global 1200 median YTD TSR and median net debt/enterprise value (EV) based on latest balance sheet: healthy = TSR & debt/EV > median, pressured = TSR or debt/EV < median, vulnerable = TSR & debt/EV < median; Source: S&P Capital IQ; BCG ValueScience® Center

In this uncertain environment, investors want leadership teams to 'use the crisis' to build sources of long-term advantage for their companies

As of 07 June 2020

91%

of investors believe it is important for companies to **prioritize building business capabilities** for advantage and growth, even at the expense of EPS¹

66%

of investors believe companies should **actively pursue acquisitions²** and **consider divesting²** businesses to strengthen the overall company

51%

of investors believe it is important for companies to continue to **fully pursue their ESG³ agenda and priorities**, even at the expense of EPS¹

What we have heard from investors:



I have written 2020 off. I want companies to invest now to strengthen advantage and build platforms for growth



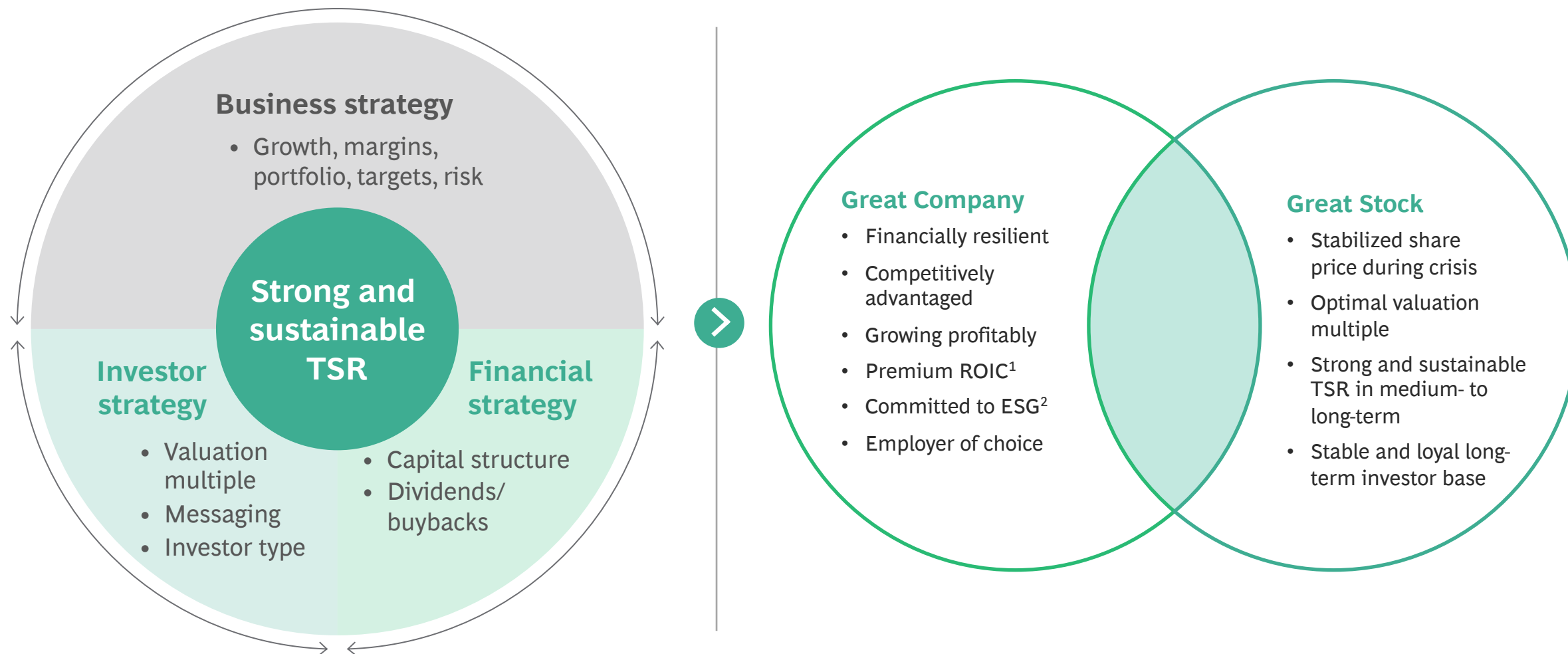
Don't waste the crisis. If you have the liquidity, make bold acquisitions. And exit businesses that are not long-term winners



We remain heavily committed to ESG³ with an emphasis on social responsibility, especially in today's environment

1. Earnings per share; 2. 68% of investors believe companies should actively pursue acquisitions; 64% believe they should consider divestitures; 3. Environmental, Social and Governance; Note: All questions were posed with respect to financially healthy companies (i.e., companies with relatively strong & resilient free cash flow and strong balance sheets). Source: BCG's COVID-19 Investor Pulse Check, June 7, 2020; n = 150; BCG COVID-19 investor interviews with select institutional investors (May-June 2020).

It is more important than ever for leadership teams to build a value protection and acceleration roadmap to become 'a great company' and 'a great stock'



1. Return on invested capital; 2. Environmental, Social and Governance
Source: BCG

Key value protection and acceleration questions on the minds of business leaders

1

'De-average' shareholder value

How have and will my businesses contribute to share price and TSR?

What actions should we take to strengthen the plan and increase our confidence?

4

Sharpen capital allocation

How should we distort financial and human capital to deliver stronger TSR?

What combination of organic (including ESG¹), inorganic, and financial strategy² levers can enhance shareholder value?

2

Understand your investor

Have my investment thesis and 'natural' investor type changed due to the crisis?

What moves will attract the right investor type?

5

Explore bold portfolio moves

Are there acquisitions we should pursue today to strengthen our business?

Are there businesses we should consider divesting to strengthen the company?

3

Challenge your plan

Will my crisis-adjusted plan deliver on my strategic and TSR ambitions?

What are alternative strategic paths that can deliver stronger and more sustainable TSR, considering risks and trade-offs?

6

Create an ownership culture

How should we embed TSI³ to ensure long-term shareholder value creation?

How can we align target setting, planning and incentives to create an ownership culture?

1

'De-average' shareholder value

Understand what is driving your valuation and how your businesses contribute to share price and TSR

Example: Global luxury player used portfolio 'x-ray' to gain deep understanding of shareholder value across markets and divisions

		Today's share price	Historical 3-year value creation		Planned 3-year value creation	
		\$ / share	\$ / share	TSR (%)	\$ / share	TSR (%)
Markets	Region 1	34.2	9.9	11%	20.7	17%
	Region 2	14.9	5.4	13%	6.1	12%
	Region 3	8.1	(0.1)	(0%)	9.6	30%
	...	...	...	...	...	...
Divisions	Division A	24.2	7.0	17%	15.3	18%
	Division B	17.6	3.8	11%	2.4	4%
	Division C	14.2	(1.6)	(5%)	8.5	17%
	...	...	...	...	...	...
Overall		81	19	9%	59	20%

Drives greater value than expected
 Drives less value than expected

Understand how your different businesses can drive shareholder value

Challenge line of business plans where historical and planned TSR are significantly different

Ensure plans are grounded in reality and adjust accordingly

Determine portfolio roles (e.g., growth engine, growth funder, harvest, exit, turnaround)

Allocate financial and human resources to each line of business based on its portfolio role

2

Understand your investor

Engage with your investors to understand their sentiment and how your 'natural' investor type has evolved

Example: B2B technology services company used investor segmentation to develop TSR strategy roadmap during GFC¹ and migrate to a more attractive investor type

	Original investor type	Optimal new target type
Investors' criteria	“Deep Value” investors	“Quality / Alpha Value” investors
Revenue growth expectations	0% - GDP level growth	3-5% organic + some tuck-in M&A
Time horizon	In & out with P/E ²	5+ years
Expected P/E multiple	Relatively weak P/E, typically <15x	14x–18x
Target payout / yield	5-8% FCF ³ yield paid out as dividends or buybacks	3–5% dominated by dividends

Actively engage with your investors, now more than ever

Treat your investors like your customers (segment, market)

Determine your 'natural' investor type and whether you are currently aligned with it

Shape your business strategy to meet this investor type's growth, margin, and ROIC³ expectations

Adjust your financial policies to enhance appeal to this investor

Communicate a compelling investment thesis and roadmap

1. Global Financial Crisis 2008-09; 2. Price to earnings multiple; 3. Free cash flow
Source: BCG

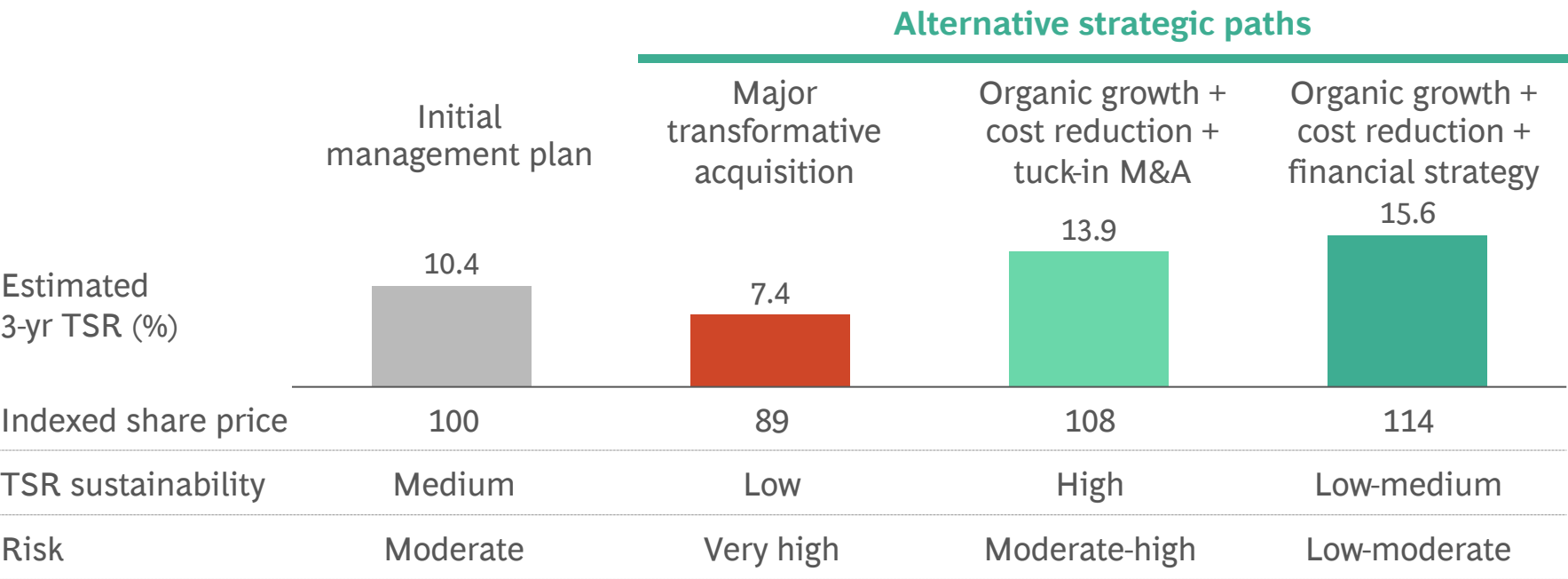
3 & 4

Challenge your plan & sharpen capital allocation

Pressure-test share price and TSR potential of your crisis-adjusted plan and evaluate alternative strategic paths

Ensure your uses of capital enable you to emerge stronger from the crisis

Example: U.S. services company used TSR lens to assess alternative strategic paths and optimize capital allocation



Use shareholder value lens to chart optimal corporate strategy path

Align as a leadership team on your strategic and TSR ambitions

Determine share price and TSR potential of your plan and pressure-test underlying assumptions

Develop financial depiction of alternative strategic paths and evaluate TSR characteristics

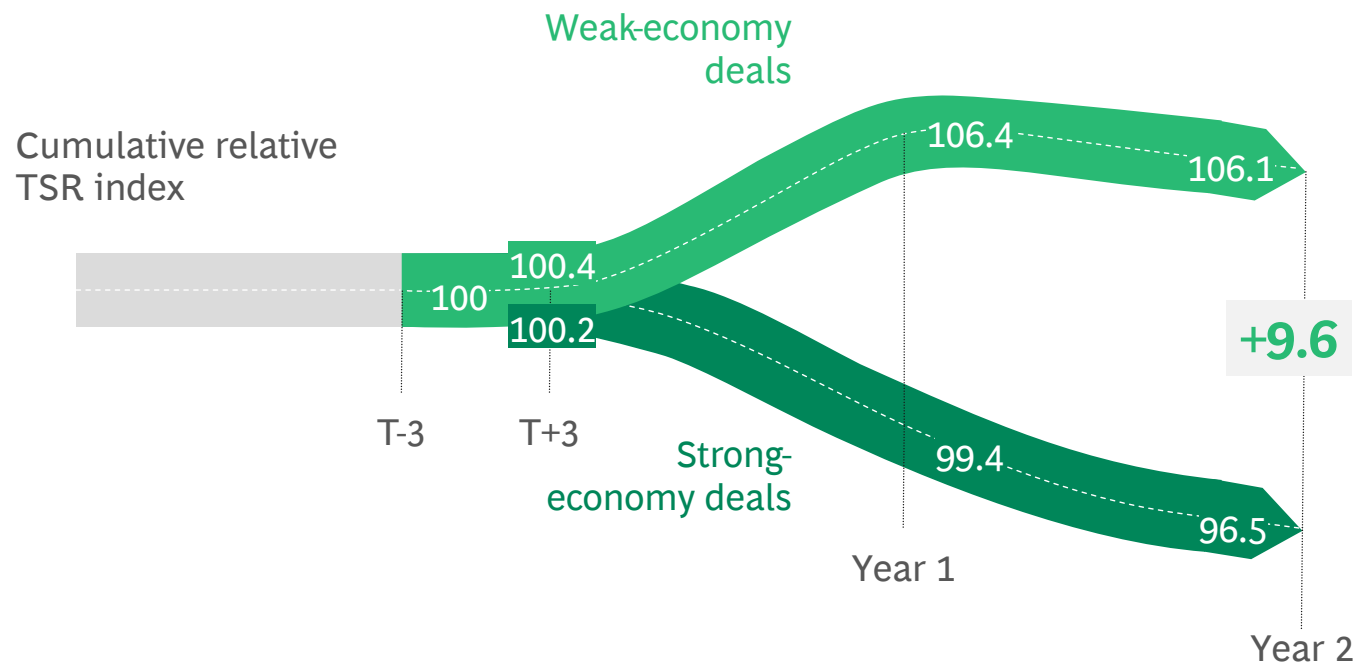
Choose optimal strategic path and allocate capital accordingly

5

Explore bold portfolio moves

Consider game-changing acquisitions and divestitures given dynamic market conditions and competitive landscape

Weak-economy deals (if reflected in lower company valuations) outperform strong-economy deals by an average of ~10 TSR points



Be prepared to pursue portfolio reshaping moves in today's environment

Evaluate portfolio for potential divestiture opportunities

Scan market for potential targets or consolidators

Evaluate optimal deal structures

Prepare the Board for action in advance if an attractive deal unexpectedly comes available

Note: Strong-economy (weak-economy) years are those in which the respective global real GDP growth rate is in the top (bottom) third of all growth rates in the observation period. Total of 9,987 M&A transactions with a public buyer comprises pending, partly completed, completed, unconditional and withdrawn majority deals announced between 1980 and 2018 with a deal value greater than \$250 million. Share price three days before the announcement date (T-3) equals 100. Share performance from T-3 to three days after the announcement (T+3) equals the announcement effect.; Source: Revinitiv, Datastream, BCG

6

Create an ownership culture

Align planning, KPIs, and incentives with delivering sustained TSR and TSI¹ success and winning in the new reality

Embrace shareholder value philosophy and metrics

Compensate for shareholder value creation



Use TSR and TSI¹ in strategic planning to measure & track shareholder value creation

Adopt a strong shareholder value mindset and discipline

Put TSR front and center, use TSR for high-stakes decisions, and embed TSI as a TSR accelerant

Train senior leaders on shareholder value principles and how to lead like owners

Cascade capabilities through the organization

Set targets, pressure-test plans and initiatives, allocate resources, and track performance

Incorporate TSR and TSI into reporting; align & communicate incentives; reward TSR and TSI performance

1. Total societal impact
Source: BCG



Driving shareholder value requires leadership teams to address the needs of all key stakeholders—now more than ever

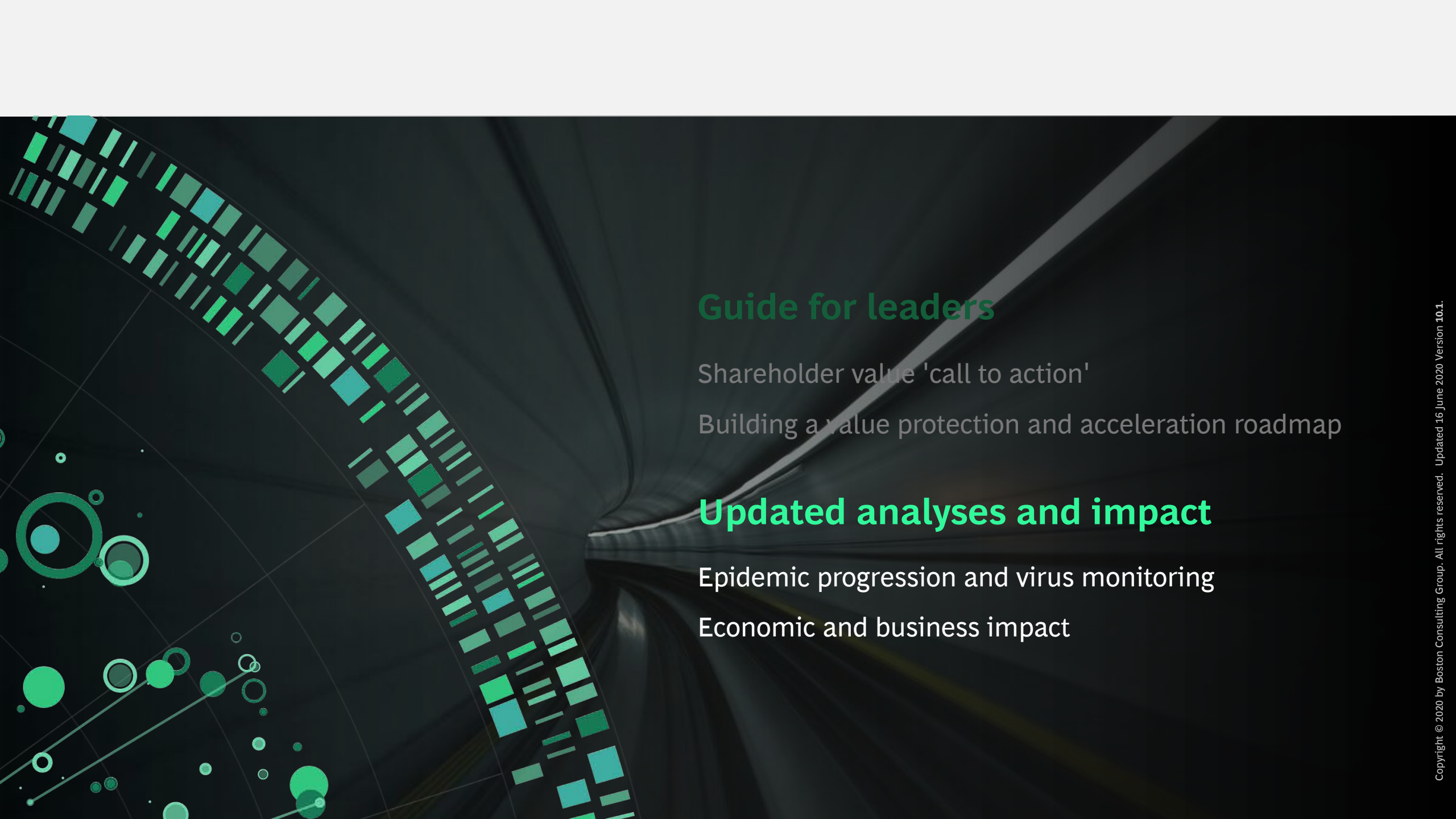
Deliver value to your **customers**

Invest in your **employees**

Work fairly and ethically with your **suppliers**

Support the **communities** in which you work

Generate long-term value for your **shareholders**



Guide for leaders

Shareholder value 'call to action'

Building a value protection and acceleration roadmap

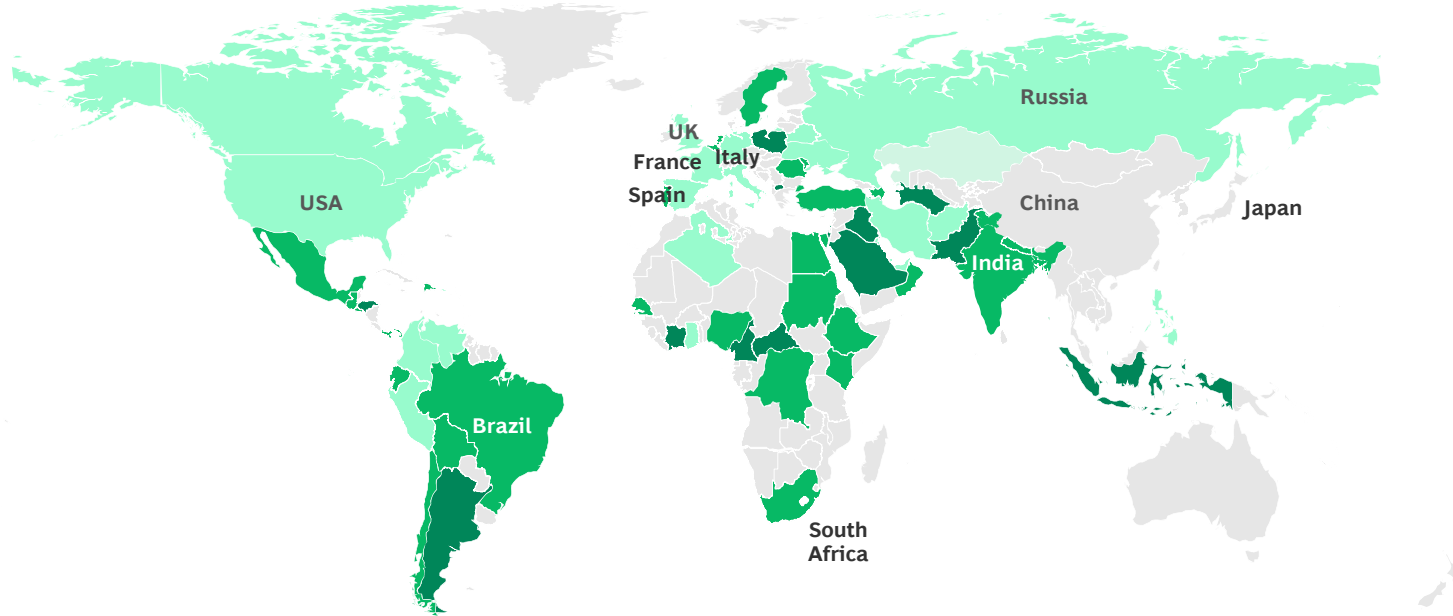
Updated analyses and impact

Epidemic progression and virus monitoring

Economic and business impact

~3.6M reported recoveries so far;
growth rate of daily new cases at ~1%¹

As of 12 June 2020



Less than 100
daily cases¹

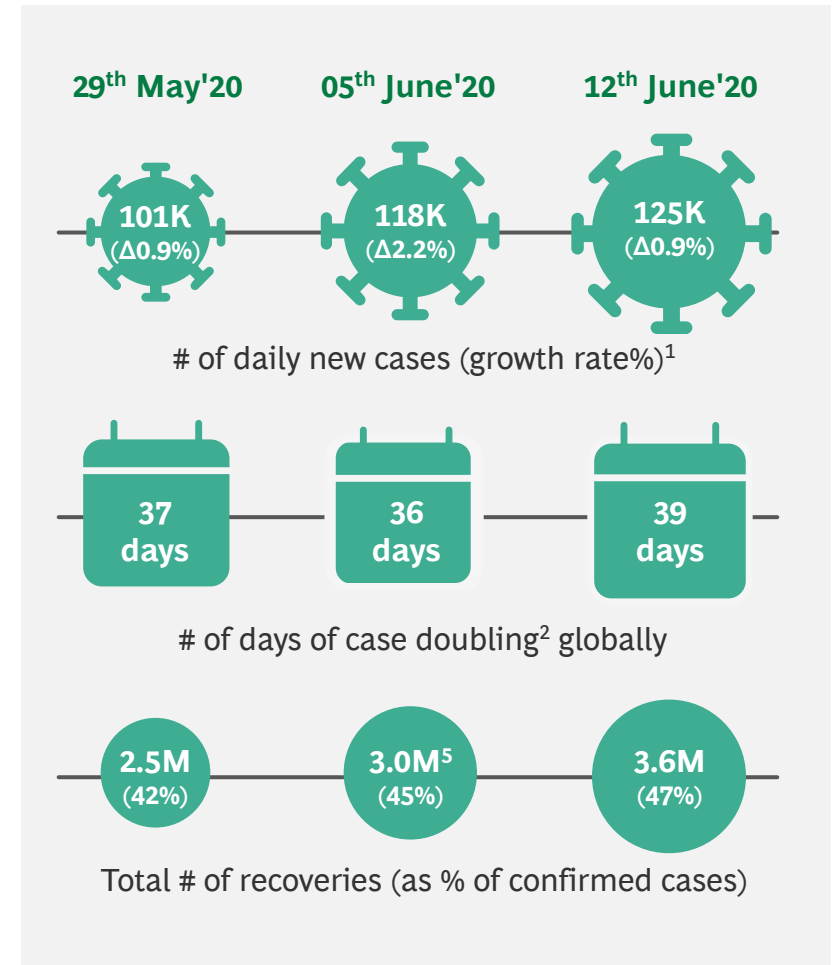
Daily cases' growth (≥ 100 daily cases)¹

<-5% -5%-0% 0-5% >5%

185
Countries with cases³

7.6M [$\Delta 1.8\%$]⁴
Confirmed cases globally

425k [$\Delta 1.1\%$]⁴
Fatalities globally



Note: Continued cases and fatalities are subject to different testing, propensity, reporting standards and hence are imperfect measures

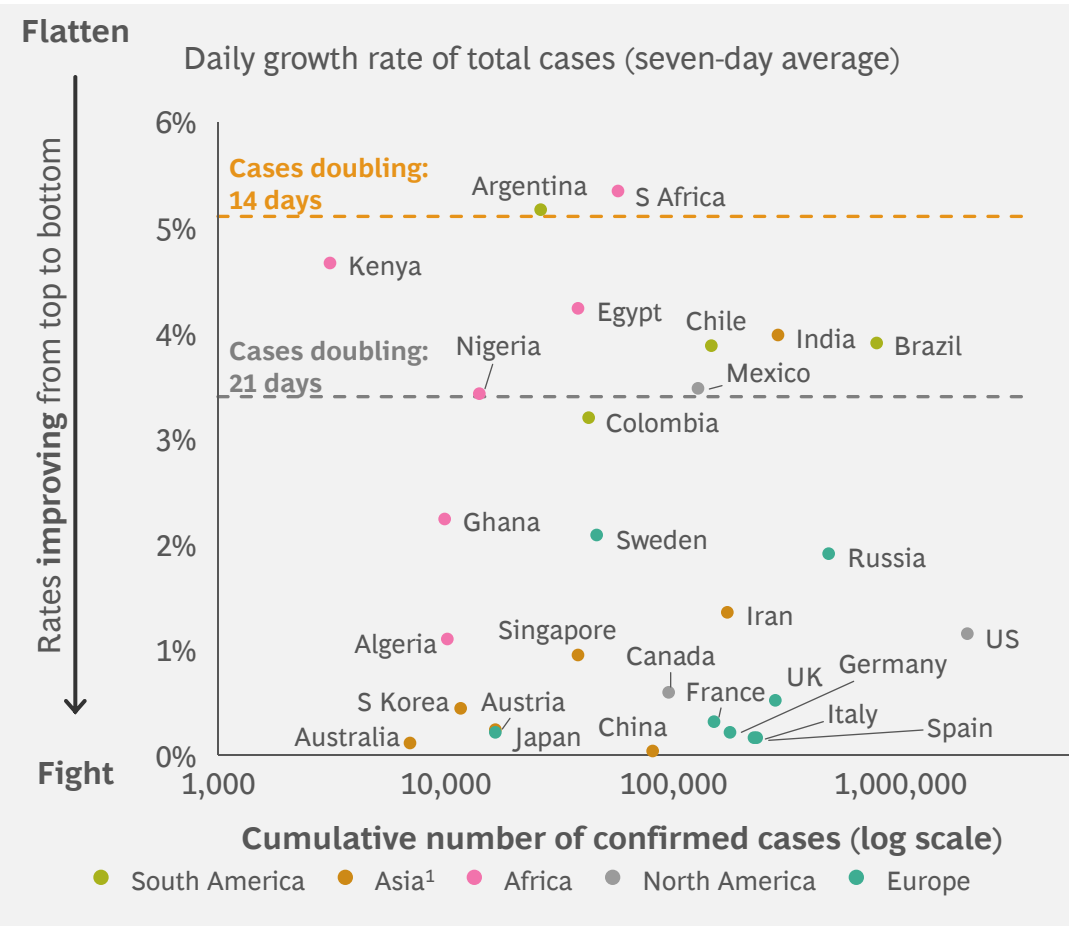
1. # of daily new cases calculated as 7-day rolling average; growth rate calculated basis 7-day average; 2. No. of doubling days calculated basis 7-day average growth rate of total cases; 3 Basis Johns Hopkins CSSE; 4. Daily growth rate basis 7-day average; 5. Updated numbers for 5th June as reported in updated data by Johns Hopkins CSSE

Sources: Johns Hopkins CSSE; Our world in data; BCG

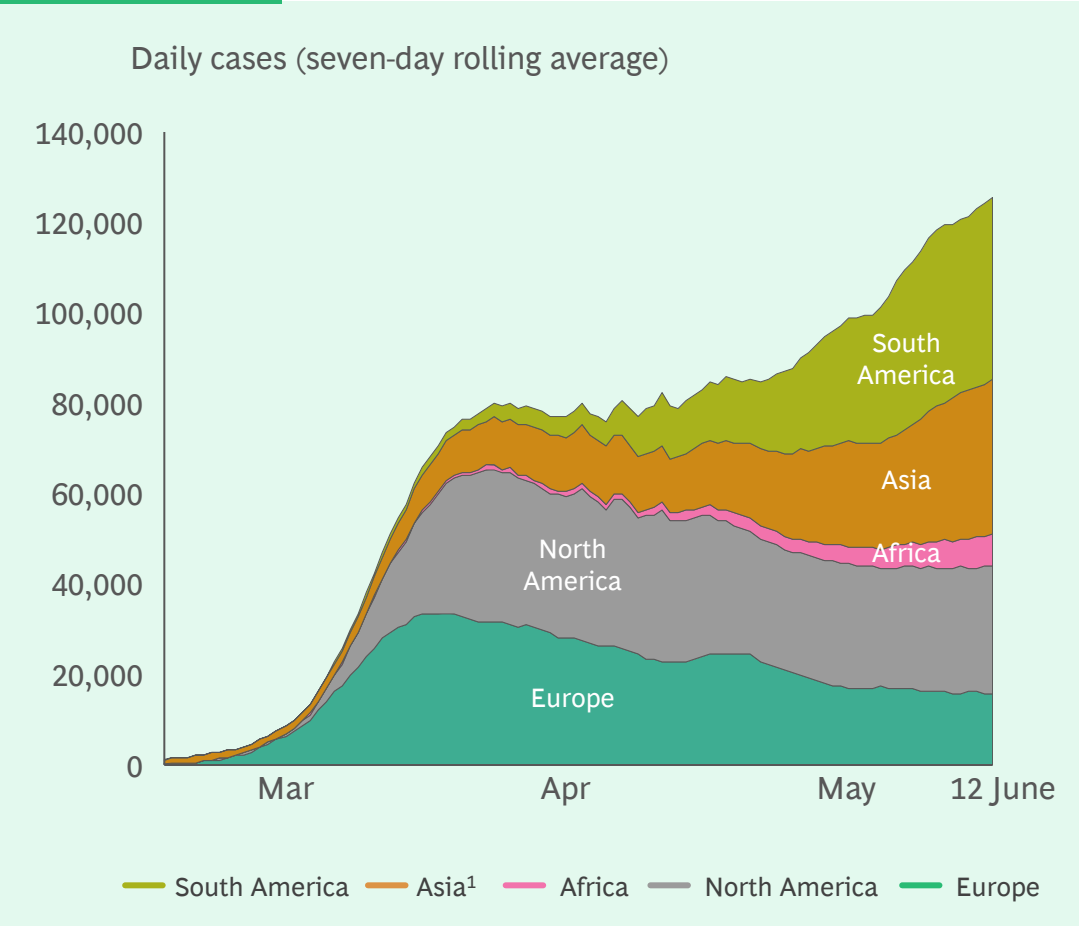
Daily new cases are increasing globally; propelled by South America, Asia, and Africa

As of 12 June 2020

Several European and North American countries continue to improve doubling rate...



... but countries in South America, Asia, and Africa witness an increase in daily new cases

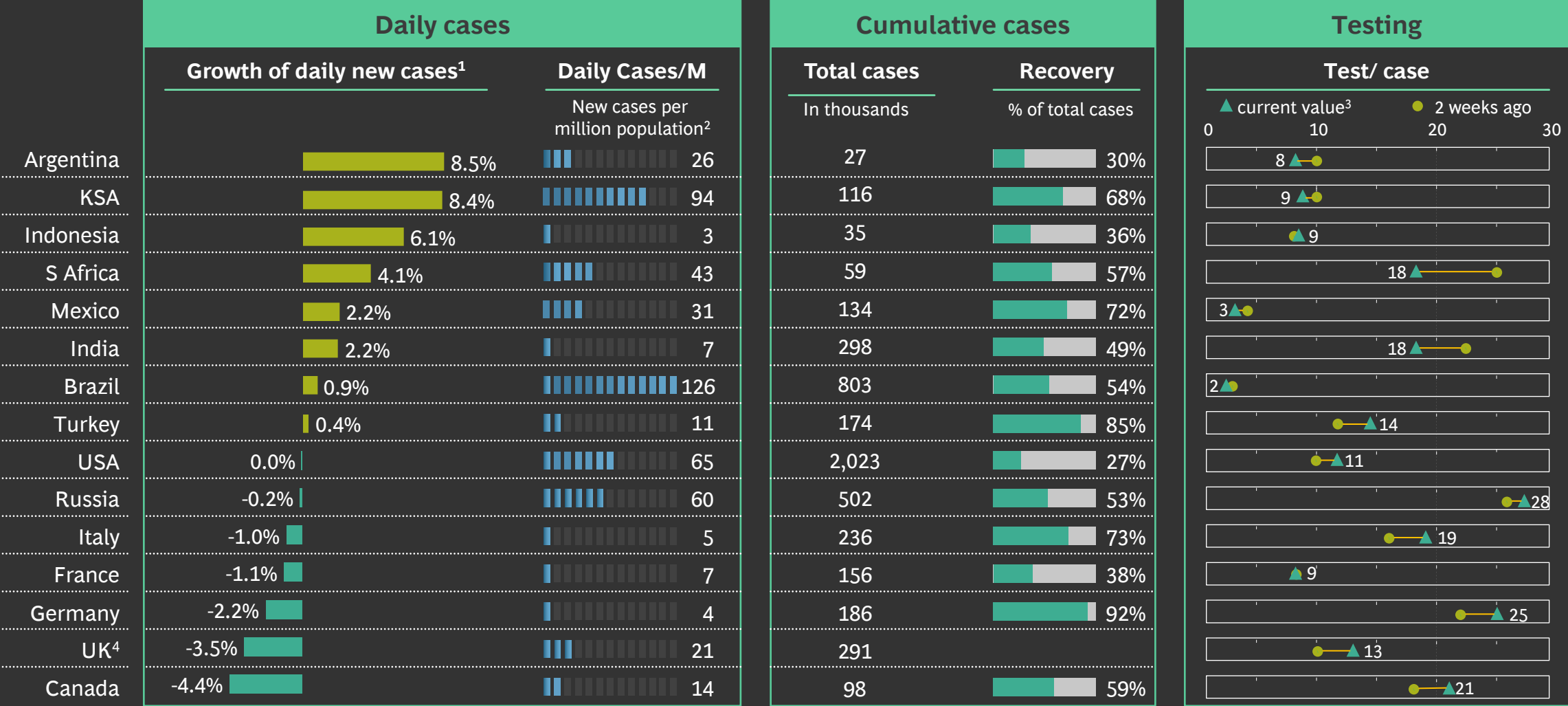


1. Includes Middle East & Oceania
Source: Johns Hopkins CSSE; Our World in data; BCG

Epidemic progression snapshot

As of 12 June 2020

Data shown only for G20 countries with 100+ daily new cases



1. Growth rate calculated basis 7-day rolling average of new cases; 2. 7-day rolling average; represented scale rounds up daily case/m to next 10th place; 3. Test/case data is not updated daily for few countries, data represented is within last 1 week; 4 UK recovery data not available; Source: Our World in Data, John Hopkins, Worldometers, BCG

Vaccine fast movers | 9 vaccine candidates already into clinical trials

EPIDEMIC PROGRESSION
& VIRUS MONITORING

As of 12 June 2020

1 Phase II/III

Oxford Univ. & AstraZeneca

Phase III recruitment underway; planned supply build-up of 400M+ doses by end of year (if approved)

2 Phase II

CanSino Biologics

Phase II advancement since Apr 2020; follow-up expected by Oct 2020

Moderna

FDA fast track designation in May 2020; Phase III on 30,000 patients planned in July 2020

4 Phase I/II

BioNTech & Pfizer

Phase I/II started April 2020; data exp. in July 2020; if approved, distribution possible by Dec 2020

Novavax

Phase I/II started in May 2020; data expected in July 2020 and final completion by Nov 2021

China National Biotec¹

Phase II trial in June 2020; expected completion of final trials by Nov 2021

Sinovac

Phase II trial in June 2020; expected completion by Aug 2020

2 Phase I

Chinese AMS²

Trial started in Mar 2020; follow-up expected by Dec 2020 and completion by Apr 2021

Inovio

Phase I initial data expected June 2020; Phase II/III trials start July/August 2020

151 Pre-clinical

160 Total

"By the beginning of 2021, we hope to have a couple of hundred million doses. I'm cautiously optimistic with the multiple candidates we have with different platforms."

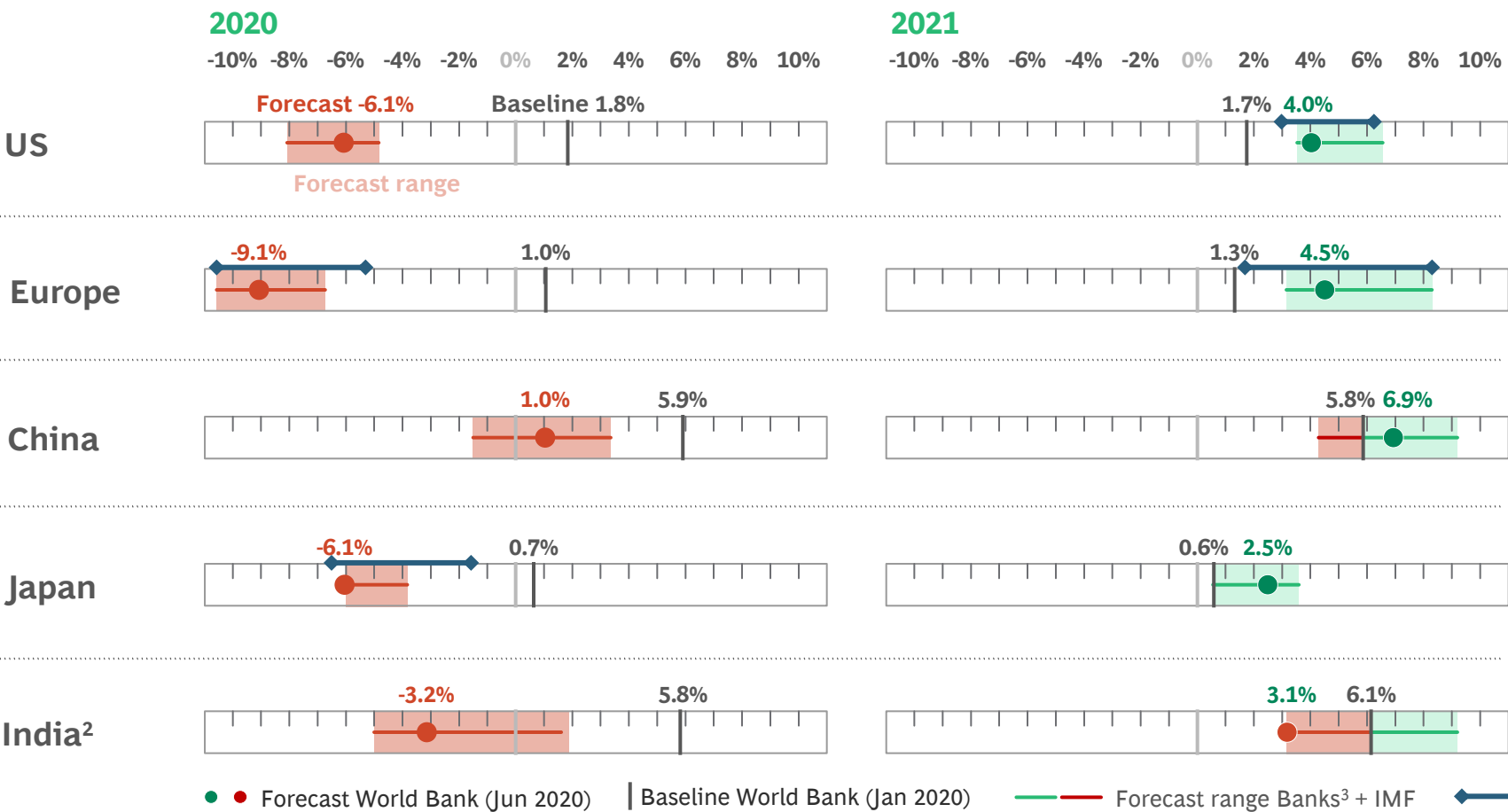
Dr. Anthony Fauci, Member, White House Coronavirus Task Force

1. Listed as two candidates by WHO: Beijing Institute of Biological Products / Sinopharm & Wuhan Institute of Biological Products / Sinopharm; 2. Chinese Academy of Medical Sciences and Institute of Medical Biology. Source: WHO (June 9th), Citeline Pharma Project (June 5th), Milken Institute (June 2nd), ClinicalTrials.gov (May 19th), Telegraph, Bloomberg, BCG

Economic forecasts point toward severe downturn in 2020; rebound of global GDP not expected before 2021

As of 12 June 2020

GDP growth forecast vs. baseline



GDP level forecast¹

EOY 2021 vs. EOY 2019

97-100%

96-99%

107-112%

96-99%

101-108%

Note: As of reports dated 31 March 2020 to 12 June 2020, YoY forecasts 1. Range calculated with 25th & 75th percentile values of forecast range 2. For India, forecast is for financial year; for other countries, the forecast is for calendar year; 3. Range from forecasts (where available) of World Bank, International Monetary Fund (April 2020), Goldman Sachs, JP Morgan Chase; Morgan Stanley; Bank of America; Fitch Solutions; Credit Suisse; Danske Bank; ING Group; HSBC; Source: Bloomberg; World Bank; IMF; BCG

Despite rebound in the recent past, no sector at pre-crisis TSR levels

ECONOMIC &
BUSINESS IMPACT

As of 12 June 2020

Categories based on TSR & net debt/enterprise value²

Based on top S&P
Global 1200 companies

		TSR performance ³			Companies with probability of default >15% ⁴		
		21 Feb 2020 - 20 Mar 2020	21 Feb 2020 - 12 June 2020	29 May 2020 - 12 June 2020	21 Feb 2020	12 June 2020	29 May 2020 - 12 June 2020
Healthier sectors	Pharma	-20%	-2%	↓	0%	11%	↓
	Semiconductors	-30%	-3%	↑	0%	0%	→
	Household Products	-16%	-4%	→	0%	0%	→
	Tech Hardware	-26%	-5%	→	0%	0%	→
	Food/staples Retail	-10%	-7%	→	0%	0%	→
Pressured sectors	Software	-30%	-8%	→	9%	8%	→
	Health Equipment	-31%	-9%	↓	0%	0%	→
	Retailing	-40%	-10%	→	0%	41%	→
	Telecom	-17%	-10%	→	0%	8%	↑
	Materials	-32%	-10%	↑	4%	11%	↑
	Food & Beverage	-23%	-10%	→	0%	0%	→
	Prof. Services	-30%	-12%	↓	0%	0%	→
	Transport	-34%	-13%	→	0%	36%	→
	Financials	-35%	-14%	↑	0%	0%	→
Vulnerable sectors	Media	-36%	-14%	→	0%	8%	↑
	Utilities	-30%	-15%	→	0%	0%	→
	Auto	-41%	-15%	↑	0%	29%	↑
	Capital Goods	-35%	-15%	→	2%	7%	↑
	Durable Goods	-39%	-18%	↑	0%	0%	↑
	Insurance	-39%	-22%	↑	0%	0%	→
	Real Estate	-39%	-24%	↑	0%	17%	→
	Banks	-39%	-26%	↑	0%	4%	→
	Hospitality	-44%	-27%	↑	7%	36%	→
	Energy	-52%	-29%	↑	0%	21%	→

Note: Based on top S&P Global 1200 companies; Sectors are based on GICS definitions; 1. TSR performance on 12 June 2020 compared to 29 May 2020; 2. Net debt & enterprise value from latest available balance sheet; Categories defined based on comparison with S&P Global 1200 median: healthy = TSR & debt/EV > median, pressured = TSR or debt/EV < median, vulnerable = TSR & debt/EV < median; 3. Performance is tracked for two periods, first from 21 February 2020 (before international acceleration of outbreak) to 20 March 2020 (trough of the market) and from 21 February 2020 through 12 June 2020 based on median; 4. Implied by 5-year Credit Default Swap based on median Source: S&P Capital IQ; BCG ValueScience® Center; BCG

↑ Pos. trend >= 2%
→ No sig. change
↓ Neg. trend >= 2%

US investors' current perspectives on economic and stock market impact of COVID-19 crisis

As of 07 June 2020

US example: Investor Pulse Check on US economy and stock market

Economic impact and recovery

End of
**Q4
2020**

Investor's expected timeline for the severe impact of crisis to extend until

Only
18%

Investors anticipate a rapid V-shaped recovery to the pre-crisis economic level and growth rate

~3.9T

Investors' expectation² for the amount of total fiscal stimulus needed to support the economy

Impact on stock markets

52% | **25%**

Investors that are **bearish** or **neutral**, respectively, for the remainder of 2020

41% | **55%**

Investors that are **bullish** for **2021** and **2022**, respectively

64% | **53%**

Investors that are **more bullish** on the economy & the stock market, respectively vs. one month ago

S&P500
down by
16%¹

Expected future low, to be reached by Q3 2020

S&P500
up by
16%¹

Expected future high, to be reached by Q2 2023 (exp. annual TSR of 8%)

1. Compared to 7 June 2020 prices; 2. Average expectations of investors;
Source: BCG's COVID-19 Investor Pulse Check, June 7, 2020; n = 150.

European investors' current perspectives on European Growth Tech

As of 27 May 2020

Europe example: Investor Pulse Check for European 'Growth Tech' (large, tech-oriented startups)

Investment volume

Growth Tech investors are **bearish** on 2020...

87% will delay deals originally planned for 2020

66% will invest less in 2020 than in record year 2019

...but very **bullish** on 2022

98% expect to invest as much or more in 2022 than in record year 2019

Investment criteria

Growth Tech investors expect **shift in investment criteria** to resilience factors...

55% of investors attach greater importance to time to profitability

50% of investors re-prioritize the importance of management team's quality

...as significant **uncertainty** prevails

For **3/5** Growth Tech investors, market uncertainty affects investment behavior

Growth Tech industries

Potential to outperform larger rivals; but different recovery shapes across industries

V 61% expect Software/services to rebound quickly

U 100% expect Travel to recover, but slowly

Λ or n 85% expect Digital Health to return to pre-COVID trajectory^{1,2}

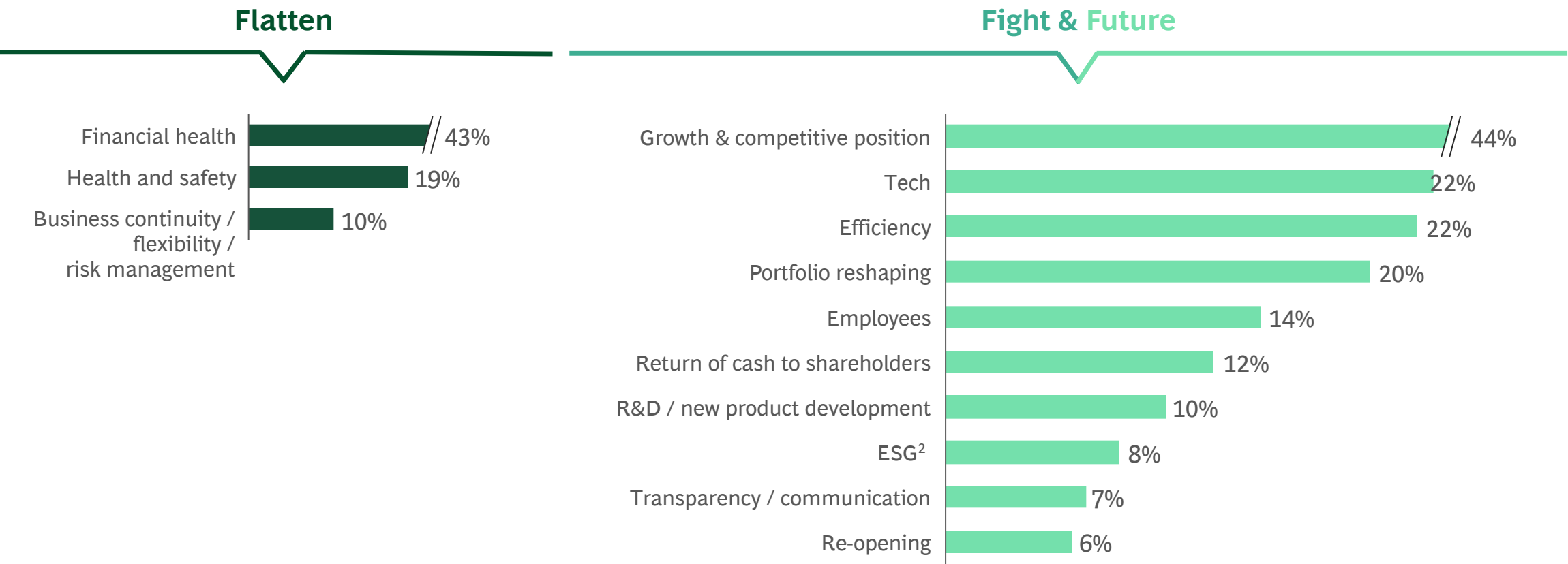
Λ or n 67% expect EduTech to return to pre-COVID trajectory^{1,3}

Investors want discretionary dollars focused on 'financial health' to survive the crisis; 'growth & competitive position' to win the new reality

As of 07 June 2020

US example: Priority areas, management should focus on their investments¹

(% of investors who listed the below areas as a top 3 priority)



Notes: 1.Original question "For financially healthy companies (that you invest in or follow), what are the top 3 priority areas (please list in order of importance) that you would like to see management teams focus their discretionary investment dollars on during the next 6-12 months?"; Raw responses to the survey were classified into categories. "Other" not included (n=1); 2. Environment Social Governance; Source: BCG's COVID-19 Investor Pulse Check, June 7, 2020; n = 150 overall survey, n=138 for this optional question, though number of priority areas outlined by respondents slightly differed.

Additional perspectives on COVID-19

COVID-19 BCG Perspectives



Edition #9

[Future of Global Trade and Supply Chains](#)



Edition #8

[Galvanizing nations for the new reality](#)



Edition #7

[Sensing Consumer Behavior & seizing Demand Shifts](#)



Edition #6

[Restructuring Costs, and managing Cash and Liquidity](#)



Edition #5

[Revamping Organizations for the New Reality](#)



Edition #4

[Accelerating Digital & Technology Transformation](#)



Edition #3

[Emerging stronger from the Crisis](#)



Edition #2

[Preparing for the restart](#)



Edition #1

[Facts, scenarios, and actions for leaders](#)

Selected publications



Corporate finance

[Managing Corporate Venturing Through the Pandemic](#)



Corporate finance

[The COVID-19 Investor Pulse Check Series](#)



Corporate finance

[The COVID-19 CFO Pulse Check](#)



M&A and Divestitures

[The Asia-Pacific M&A Report: Dealmaking in Turbulent Times](#)



M&A and Divestitures

[Navigating Merger Clearance During the Crisis](#)



M&A and Divestitures

[COVID-19's Impact on Global M&A](#)



Transformation

[How CEOs Can Win the Fight and Transform to Win the Future](#)



Banking

[What's Next for US Banking Consolidation in the Post-COVID-19 World?](#)



Energy

[How Uncertainty Is Hitting M&A in Oil and Gas](#)

Disclaimer

The services and materials provided by Boston Consulting Group (BCG) are subject to BCG's Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. BCG does not provide legal, accounting, or tax advice. The Client is responsible for obtaining independent advice concerning these matters. This advice may affect the guidance given by BCG. Further, BCG has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate.

The materials contained in this presentation are designed for the sole use by the board of directors or senior management of the Client and solely for the limited purposes described in the presentation. The materials shall not be copied or given to any person or entity other than the Client ("Third Party") without the prior written consent of BCG. These materials serve only as the focus for discussion; they are incomplete without the accompanying oral commentary and may not be relied on as a stand-alone document. Further, Third Parties may not, and it is unreasonable for any Third Party to, rely on these materials for any purpose whatsoever. To the fullest extent permitted by law (and except to the extent otherwise agreed in a signed writing by BCG), BCG shall have no liability whatsoever to any Third Party, and any Third Party hereby waives any rights and claims it may have at any time against BCG with regard to the services, this presentation, or other materials, including the accuracy or completeness thereof. Receipt and review of this document shall be deemed agreement with and consideration for the foregoing.

BCG does not provide fairness opinions or valuations of market transactions, and these materials should not be relied on or construed as such. Further, the financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard valuation methodologies, are not definitive forecasts, and are not guaranteed by BCG. BCG has used public and/or confidential data and assumptions provided to BCG by the Client. BCG has not independently verified the data and assumptions used in these analyses. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions.

The situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. Although we have taken great care prior to producing this presentation, it represents BCG's view at a particular point in time. This presentation is not intended to: (i) constitute medical or safety advice, nor be a substitute for the same; nor (ii) be seen as a formal endorsement or recommendation of a particular response. As such you are advised to make your own assessment as to the appropriate course of action to take, using this presentation as guidance. Please carefully consider local laws and guidance in your area, particularly the most recent advice issued by your local (and national) health authorities, before making any decision.

Contact

BCGRapidResponseNetwork@bcg.com