McKinsey & Company - Perspectives and Opportunities in Romania

Romanian Conference at Columbia University
April 2008
Who is McKinsey?
MCKINSEY IS THE LEADING GLOBAL MANAGEMENT CONSULTANCY FIRM

Management consulting

McKinsey & Company
Booz Allen Hamilton
Bain & Company
The Boston Consulting Group

Investment bank

The Goldman Sachs Group
Credit Suisse First Boston
J.P. Morgan Chase & Co.
Morgan Stanley

Accounting and Business Advisory

PriceWaterhouseCoopers
Ernst & Young International
KPMG International
Deloitte & Touche

IT and Business Advisory

Electronic Data Systems Corporation
Accenture Ltd
IBM Business Consulting Services
Hewlett Packard Services

Legal

White & Case LLP
Baker & McKenzie
Freshfields Bruckhaus Deringer
Clifford Chance LLP
1) WE ATTRACT THE BEST AND THE BRIGHTEST

DREAM EMPLOYER FOR MBA STUDENTS ACCORDING TO UNIVERSUM GRADUATE SURVEY

|------------|------------|------------|------------|------------|

McKinsey is reckoned in a recent survey to be European MBA students' most desirable employer. The firm maintained its top ranking from last year. Other consultancies, some of which have fallen out of students' favor in recent years, have rebounded. For example, Booz Allen Hamilton returned to the top 20 from 91st place last year, and Bain took third place. L'Oréal and Nestlé slipped slightly in the rankings.

The most desirable MBA employers, 2005
50 Most popular firms with Woman

Not only does McKinsey & Co. rank as the most desirable employer among MBA students, it also tops the individual wish lists of both male and female MBA candidates.
2) WE HAVE AN UNPARALLELED CLIENT FRANCHISE

McKinsey clients out of the Top 20* companies in the industries, 2006

<table>
<thead>
<tr>
<th>Industry</th>
<th>McKinsey clients</th>
<th>Other Top 20 companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Petroleum companies</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>Telecos</td>
<td>18</td>
<td>2</td>
</tr>
</tbody>
</table>

* Size based on market capitalization
Source: McKinsey
3) WE SHAPE TOP MANAGEMENT AGENDA AND DRIVE MASSIVE CHANGE

**Client**
- CEO – top management
- Middle management

**Team**
- 3–4
- 5+ (sometimes 20+)

**Length**
- ~3–6 months
- Long

**Task**
- Big, complex, top management level tasks - „problem-solving skill”
- Special knowledge, “bodyshopping”

**Impact**
- Huge
- Medium-Big
4) WE ARE HIGHLY INTERNATIONAL
What is going on in Romania?
Romania – lots of hope but quite confusing headlines

The great…

- Largest Foreign Direct Investments in the region
- Top 4 hottest emerging market in 2007
- Broadband penetration in Bucharest reaching 50%
- 20 shopping malls opening in Bucharest in coming 3 years
- Salaries in largest cities matching or surpassing EE levels
- Number of cars increased 10x in top cities since 1995
- 16,000 individuals earning more than 1m EUR per year

… the not so great

- Government has no public or parliamentary support
- Healthcare, infrastructure and education with very poor performance
- Massive brain and workforce drain: 2 million people left the country to work abroad
- Romania becoming excessively expensive for investors (real estate prices, salaries)
- Excessive corruption
- Large current account deficit causing macroeconomic instability
- Massive brain and workforce drain: 2 million people left the country to work abroad
Beyond the headlines - Romania is growing tremendously

- Romania shows one of the biggest GDP/capita growth worldwide
- The country experiences the biggest FDI penetration in GDP among CEE peers (5.8%)
- The current account deficit of Romania is among the biggest in CEE amounting to EUR 16 bn, translated in a GDP penetration of about 14%

<table>
<thead>
<tr>
<th>Population (#)</th>
<th>GDP (EUR bn, '07)</th>
<th>GDP/Capita (EUR '07)</th>
<th>'04-'07, CAGR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL</td>
<td>38,1</td>
<td>310</td>
<td></td>
</tr>
<tr>
<td>RO</td>
<td>21,6</td>
<td>120</td>
<td>8,060</td>
</tr>
<tr>
<td>CZ</td>
<td>10,2</td>
<td>130</td>
<td>5,600</td>
</tr>
<tr>
<td>Avg. HU</td>
<td>10,0</td>
<td>100</td>
<td>12,50</td>
</tr>
</tbody>
</table>

- India: 13%  
- China: 15%  
- Russia: 25%

* in EUR terms

Source: Global Insight, Viewswire, McKinsey
A few themes are shaping its evolution

**Increased competition across the economy**
- Most sectors fully privatized to large, respected international corporates
- Some sectors brutally competitive (e.g., telecoms, insurance, refineries); others with substantial new entrant pressure (e.g., banking, retail)

**Structural shift of workforce towards higher productivity activities**
- Large population shift out of small towns and rural areas towards large towns and abroad
- Massive layoffs in lower-productivity companies (e.g., ex-state monopolists, textile) while higher-productivity sectors are facing workforce shortages (e.g., construction, IT, banking)

**Public struggling to catch up with the private sector**
- Infrastructure massively under-developed (road, rail, airports)
- Healthcare mostly unreformed and plagued by cartels and corruption
- Education system falling behind, mainly due to low quality of professors who entered the sector in past 10-15 years
We have a distinctive team on the ground

Examples of profiles

Andrei
Partner
ex-IBanker
U. of Geneva

Ioana
Associate Partner
MBA Chicago
Politehnica
Bucuresti

Ovidiu
Associate
MBA Insead
Ex-Vodafone

Andi
B.A.
Ex-advisor to Min. of Finance

Monica
Associate
Ph.D. Columbia
(Nanotechnology)

Rares
B.A.
ASE Bucuresti

Andrei
Manager
Ph.D. ETH (Zurich)
How can you join the action?
YOU CAN JOIN THE ACTION – WE SEEK TOP TALENT IRRESPECTIVE OF BACKGROUND

MDs and PhDs at McKinsey

- McKinsey pioneered hiring of consultants with advanced professional degrees
- Other degrees perform as well as MBAs throughout their career
- Rate of election to partner is as good as for MBAs

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DO YOU HAVE QUESTIONS?