

Opportunities | People | Solutions



Chemical Research Council Annual Meeting

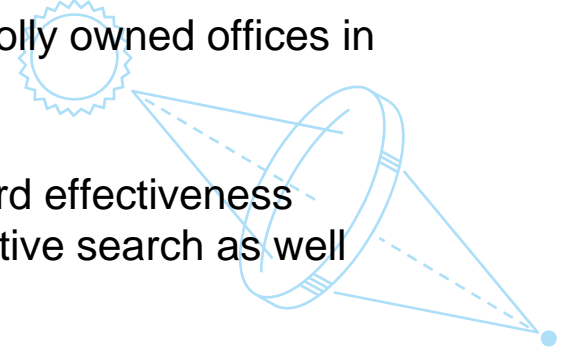
Christoph Lueneburger

Salt Lake City, UT

April 21, 2009

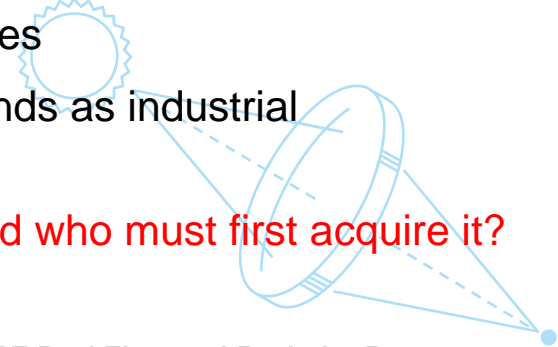
Egon Zehnder International Firm Profile

- Egon Zehnder International is the largest privately held search firm in the world with more than 360 consultants located in 62 wholly owned offices in 37 countries
- Founded in 1964, the firm specializes in team and board effectiveness review, management appraisal, and senior level executive search as well as director search
- All consultants have post-graduate degrees, typically MBAs, and on average ten to fifteen years business experience in line management, finance or management consulting
- We operate as a single unit, with a consistent methodology and a single profit center, allowing unencumbered collaboration in the service of our clients
- The Sustainability Practice has 16 consultants globally
- Global revenues in fiscal year 2008 exceeded \$600 million

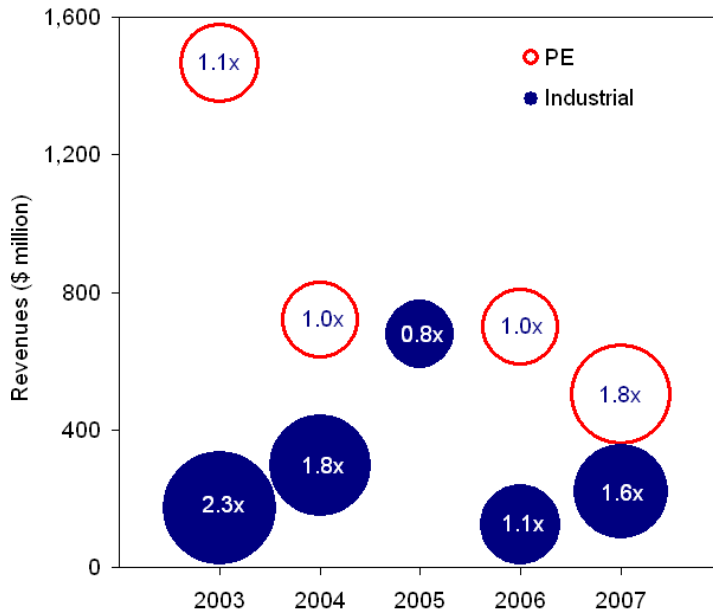


Management Quality: The Opportunity of the Water Industry

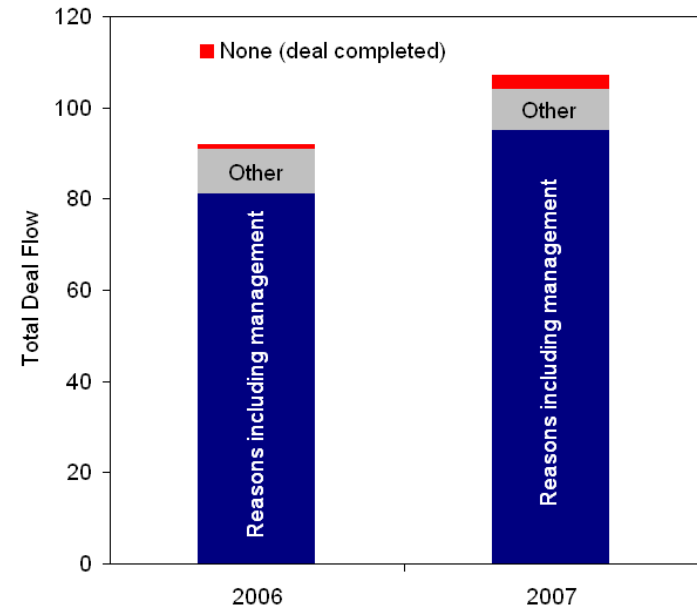
- Despite growing interest in water, private equity acquisitions have diminished in size while commanding increasing multiples on revenues
 - Market fragmentation alone does not explain these trends as industrial acquisitions have opposed them
- ⇒ Who has already cultivated management expertise, and who must first acquire it?



Industrial vs. Private Equity Deal Profile



Sample PE Deal Flow and Basis for Pass



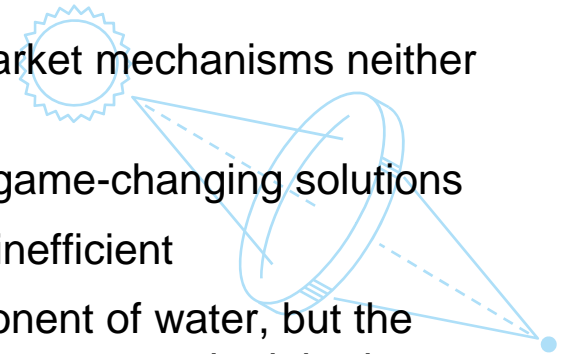
The Opportunity of Water is Pervasive



“Sweetie, Aaron has written a little poem about the water crisis.”

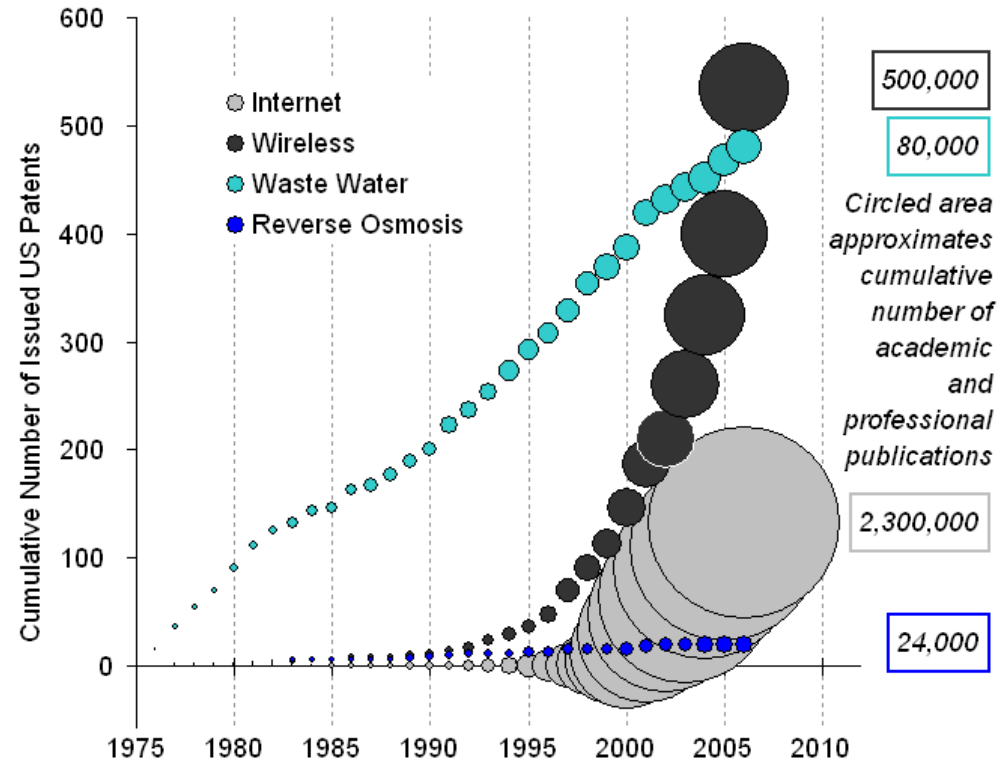
The Challenge

- **The water industry is characterized by high inertia**
 - **The pricing structure is deeply flawed**, and market mechanisms neither reflect real value nor couple supply to demand
 - **Vertical and horizontal fragmentation** inhibits game-changing solutions
 - Most of **the water market is local**, isolated and inefficient
 - Transportation constitutes the largest cost component of water, but the **glacial depreciation of transportation infrastructure** render it irrelevant in contrast to competing fiscal needs
 - Political appointees are effecting decisions with impact far beyond their remaining tenure and **administrative horizon**
 - **Water is not sexy** (not even sludge management), and too often real management talent is attracted only for the duration of a crisis
 - **Counterbalancing these constraints are chronic pressures**
 - **Inelastic demand** in absence of a substitute
 - **Systemic shocks** and increasingly frequent shortfalls in supply
 - **Regulation** and national security (not to mention recession)
- ⇒ **Robust leadership paired with experience will create lasting value**



The Need for Innovation Experience

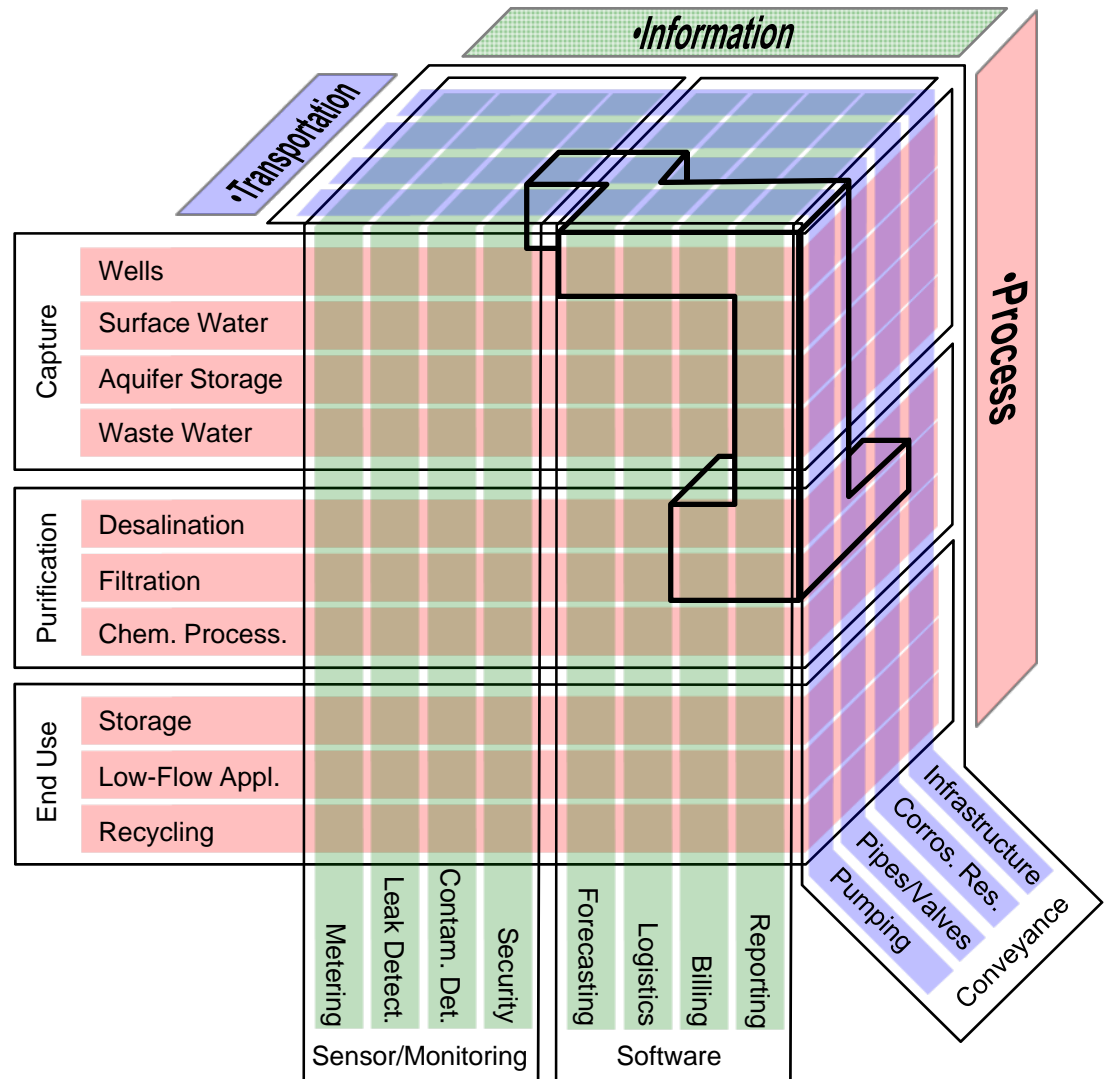
- Water markets are not innovative relative to their size
 - Venture capital is difficult
 - Game-changing technology can come in many flavors
 - In-situ leak detection
 - Lab-on-chip
 - Microbial filtration
 - Waste-heat desal
 - Membranes
 - Bioreactors
- ⇒ Innovation experience includes R&D management and expertise of product positioning, marketing and adoption cycles



The Need for Integration Experience

- Most of the problems can be addressed with existing solutions
- The primary need is thus not for new technologies, but for tailored bundles of existing technologies
 - Efficient
 - Affordable
 - Reliable

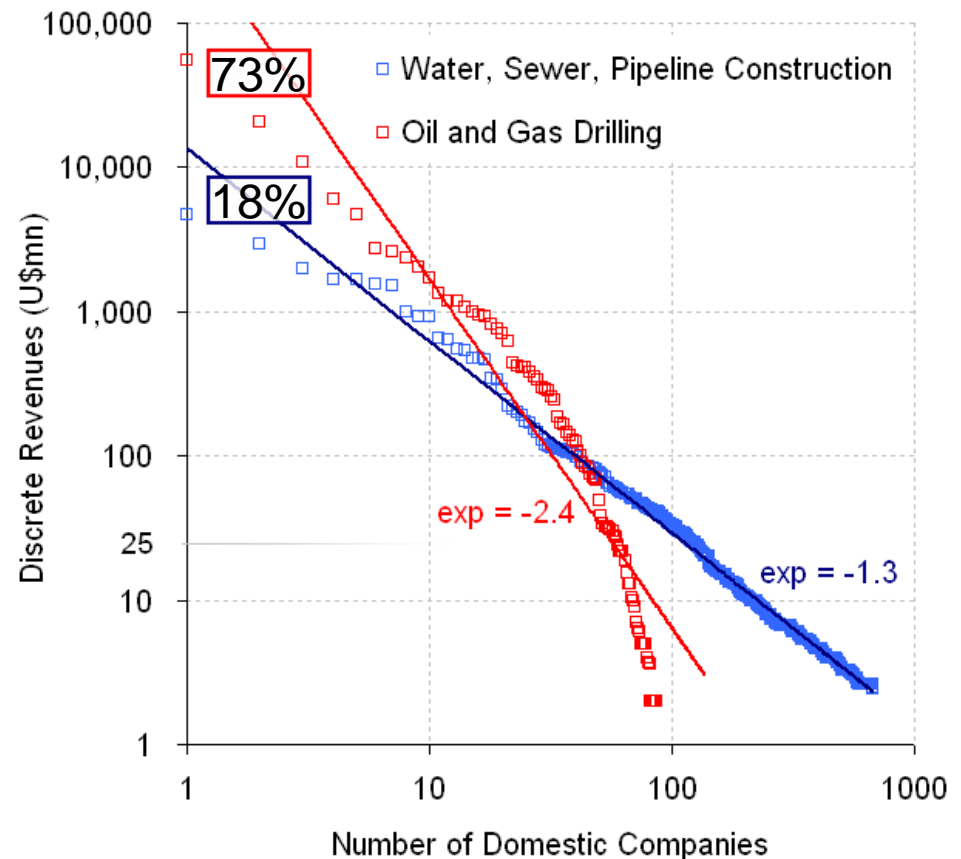
⇒ Integration experience includes knowledge of partnerships and JVs paired with a robust understanding of customer needs



The Need for Consolidation Experience

- Case in point: Top 700 domestic water, sewer, and pipeline construction companies
- Unambiguous fragmentation of the market with four of five companies below \$25mn
- Consolidation will shift the distribution of companies towards scale
 - The oil of the 21st century *versus*
 - The defining challenge of the 21st century

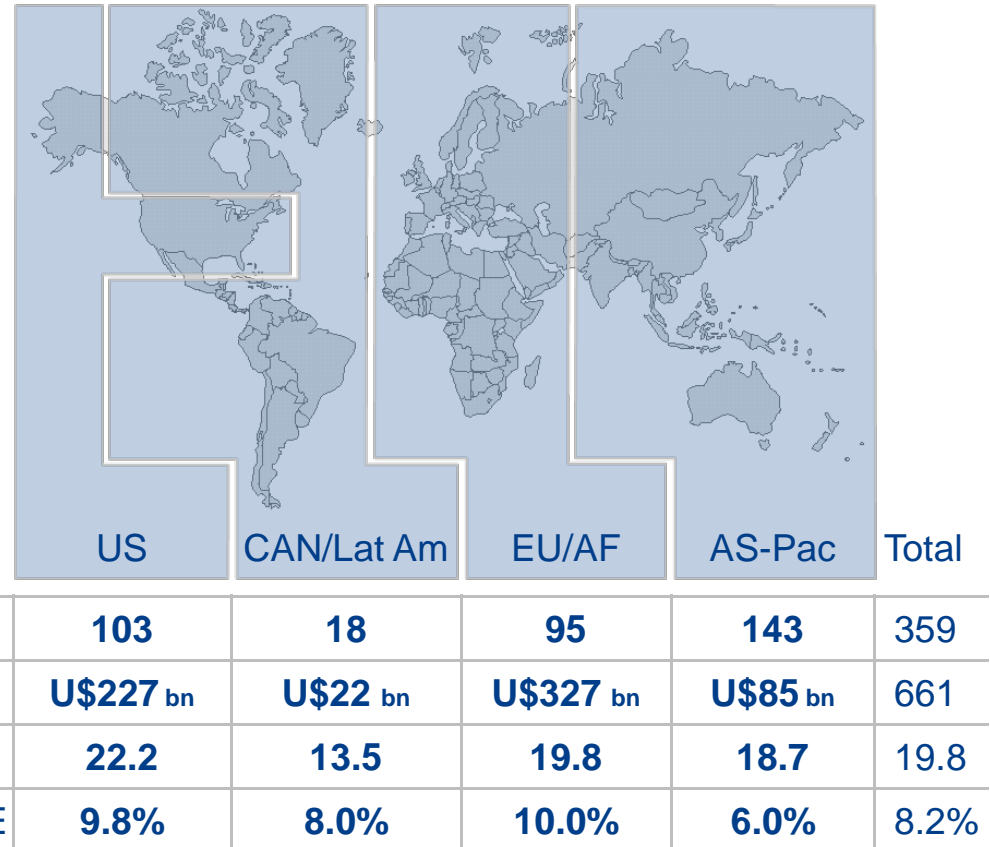
⇒ Consolidation experience includes both M&A expertise and an appreciation for cultural issues critical to integration



The Need for Global Experience

- Industrialization drives water demand and process sophistication
- Developing markets support their growth by importing proven process technologies

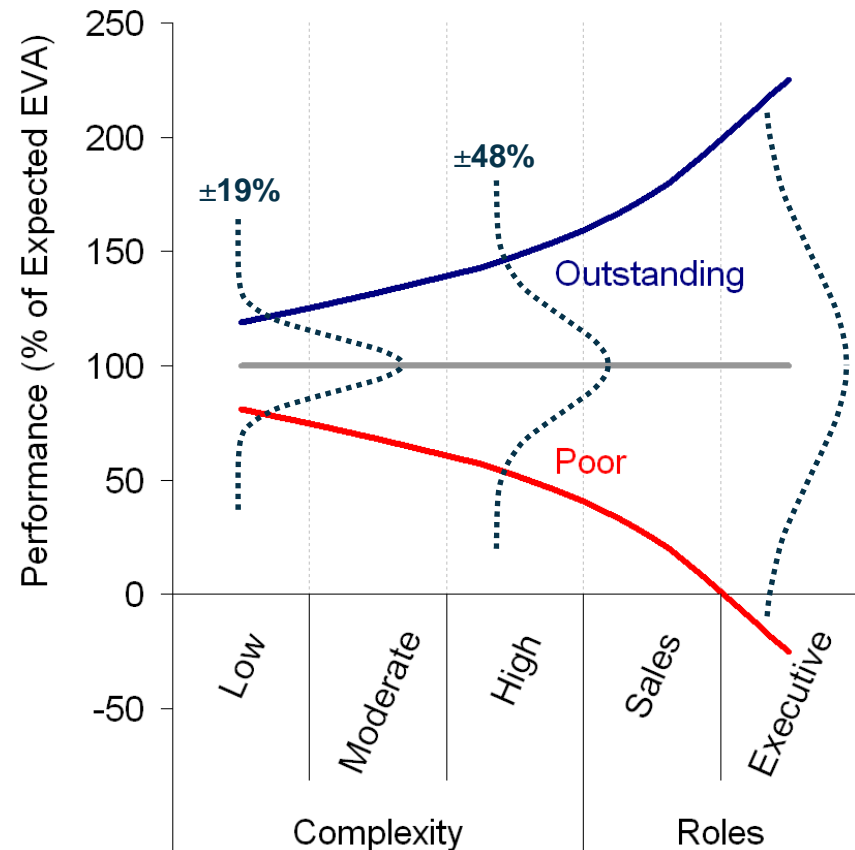
⇒ **Global experience includes demonstrated capabilities of marketing and distributing products to foreign and emerging markets**



The Value of Teaming with the Right People

“You can teach a turkey to climb a tree, but wouldn’t you rather hire a squirrel?”

- Performance variability increases drastically with job complexity
 - Significant upside (measured by EVA) with aligned competencies at the executive level
 - But significant downside (and potentially negative EVA) with lack of alignment
- ⇒ Definition, assessment, and alignment of competencies are essential in both confronting the challenges and exploiting the opportunities of the water market



Egon Zehnder Experience

- Egon Zehnder International is furthering its strong track record in water

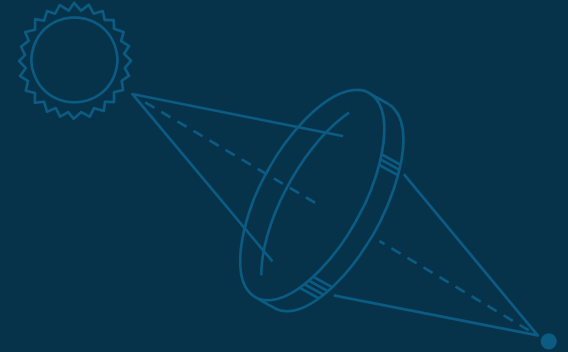
Sample Clients			Range of Engagements
• ABB	• Flowserve	• Siemens	• Management Appraisal
• Aquafin	• General des Eaux	• Southern Water	• Talent Mapping
• Australian Water	• General Electric	• Suez	• Market/Comp Analysis
• Cambridge Water	• Kemira Water	• Sydney Water	• Director/Exec Search
• Culligan	• Lyonnaise des Eaux	• Thames Water	• Talent Assessment
• Danaher	• Norit	• United Utilities	• Team Effectiveness
• Dresser	• Scottish Water	• United Waste	• Board Consulting

⇒ Current examples

The Cost of Doing Nothing



“Good evening, sir. As you may know, the soaring costs of recent drinking water legislation have forced us to pass part of this burden along to the consumer. Your share comes to \$171,947.65.”



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Thank You

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