
DRIVING PERFORMANCE MANAGEMENT IN MAERSK

Jesper Krüger, Head of Group Performance & Analysis

Conference - Beyond Budgeting: From Command & Control to Empower & Adapt

November 3, 2015



Jesper Krüger



MAERSK

- Head of Group Performance & Analysis since 2013



- Chief Portfolio Manager – Global Equities – AUM 150 bn \$ - 2010-2013



- Chief Portfolio Manager – Global Equities – AUM 125 bn \$ - 1998-2010



A.P. Moller - Maersk Group at a glance

- Founded in 1904
- Headquarters in Copenhagen
- Represented in over 130 countries, employing around 89,000 people
- Market capitalization of around USD 42.8bn end of 2014
- Underlying profit for 2014 was USD 4.5bn a 33% increase from 2013

Facilitating global containerized trade

Maersk Line carries around 14% of all seaborne containers and, together with APM Terminals and DAMCO, provides infrastructure for global trade

Supporting the global demand for energy

The Group is involved with production of oil and gas and other related activities including drilling, offshore, service, towage, and transportation of crude oil and products

Our long-term journey and ambition

Where we came from

- Growth was the priority for most businesses
- Cost efficiency not high priority
- Earnings followed shipping markets
- Maersk Line dominated the group
- Maersk Oil as cash provider
- Portfolio broad and performance uneven
- Strongest presence in mature markets

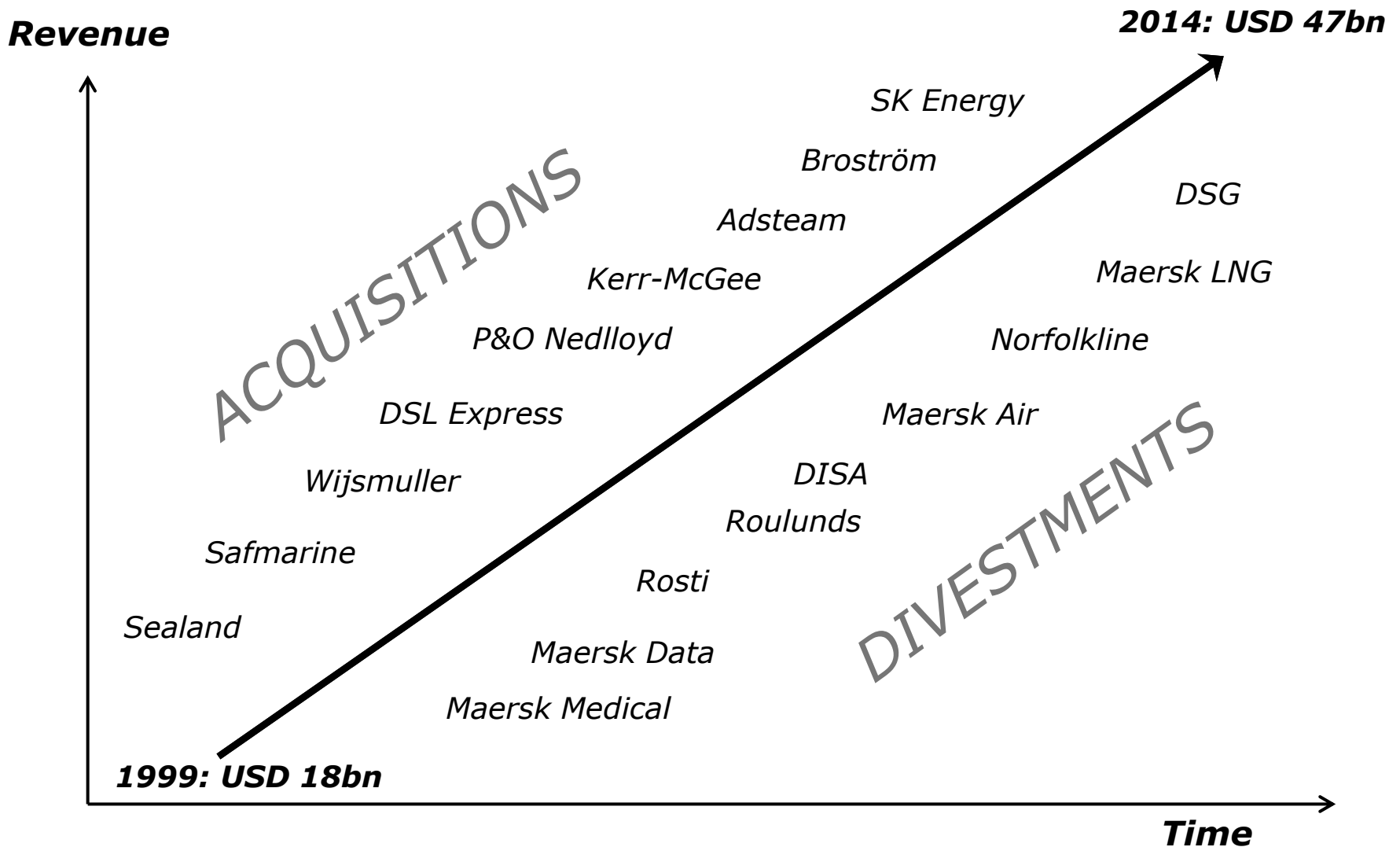
Where we are now

- Focus on value and market proposition
- Focus on Business Unit positioning
- Focus on business opportunities and value creation
- Continued cost and efficiency pressure
- Business units are stand alone businesses
- Increasing share of profits from less volatile businesses
- Disciplined and increasingly transparent capital allocation
- Increasing presence in growth markets

Where we are going

- Premium conglomerate
- Value creating portfolio management
- World class BU performance
- Ambitious and inspiring home for our businesses

Growth and focus through portfolio management



Conglomerate restructuring successfully completed



2009-14:
Divestments worth ~USD 11bn

Proceeds reinvested in core businesses or used to reduce high debt level

2015:
Splitting out of Danske Bank

Shareholders offered shares or cash

Building value through the cycle



Maersk Line



Maersk Oil



APM Terminals



Maersk Drilling



APM Shipping Services

Enabled by an organization that can drive profitable growth and innovation for the future, safeguarded by our values

Portfolio optimization

Focused and disciplined capital allocation

Top quartile performance in all our Business Units

Market competitiveness is key...

Maersk Line



- Fleet expansion to defend market leading position
- Strengthen our advantage

Maersk Oil



- Mature key projects
- Acquisitions and opportunistic investments

APM Terminals



- Container and multiport (adjacent) expansion
- Break new ground with leading investments

Maersk Drilling



- Capitalize on large & new fleet
- Opportunistic investments e.g. higher specification

APM Shipping Services



- Deliver on recent Maersk Supply Service investments
- Opportunistic investments e.g. competitive fleet renewal

What does it take...

Premium conglomerate

- World class BU performance and customer delivery
- Value creating portfolio management
- Ambitious and inspiring home for our businesses
- Living our values, preparing for the next 100 years



... to be recognized as Premium Conglomerate in the financial markets

CONSISTENT
DELIVERY



TRUST IN
THE USE OF
CAPITAL



SHARE
THE VALUE
CREATION



Becoming a Premium Conglomerate

Focus points

**Profitable
growth focus**



- Emphasize profitable growth as part of our journey
- Define our intrinsic skill set to add value as a conglomerate

**Consistent
delivery**



- Step-up credible delivery of plans and investments
- Adapt performance management to reflect future ambitions

**Allocation
of capital**



- Continue re-allocation of capital across portfolio
- Improve ranking and screening of individual projects

**Share the
value
creation**



- Transparent communication and commitment towards market on our future ambitions

Strategy and Performance Management processes

- One integrated process, but with clearly defined areas of responsibility ensuring that each sub-process is the best possible.



APMM management process until 2010

Process

Strategy and Capital allocation
(5 years reported on BU level)

Budget (12 months + 4 years)
reported per legal entity and
approved at BU level by the
board

Target setting based on budget
and external benchmarking

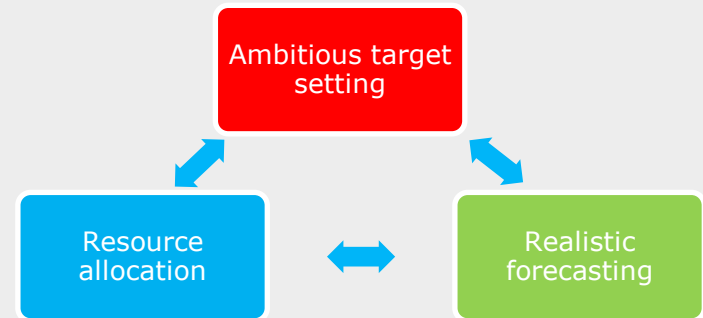
Full Year estimate reported
quarterly

Business review meetings based
on actuals and full year estimate

Investment process with limited
structure

Shortcomings

Budget with conflicting purposes



Slow adaptation of changed
market conditions

Resource demanding forecasting
process (detailed bottom up)

Inconsistent visibility fixed to
current fiscal year FYE

Not sufficient structure when
making investments decisions

APMM management process design criteria

Visibility

- Forward looking

Agility

- Early identification and correction

Control

- Balance scorecard driven

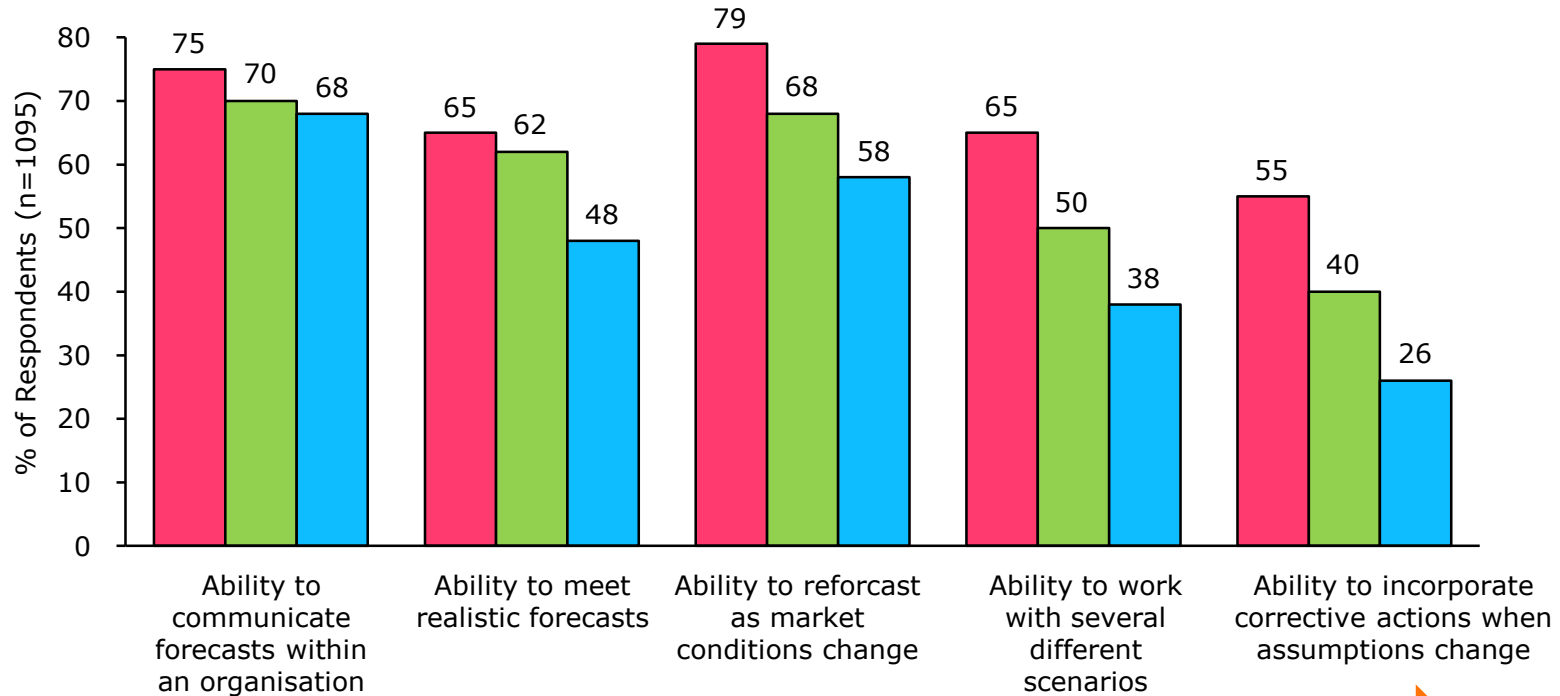
Simplicity

- Removal of unnecessary details

Performance Management – What is a good forecast/a good process?

ROCE 2011-2014:

- Best in Class (Top 20%)
- Average (middle 50%)
- Laggard (Bottom 30%)



Source; UBS, Feb 2014

Separate processes for each purpose

- in a continuous rolling cycle



Quarterly Rolling Forecast

Business Unit level

5 Quarter financials on
Approx. 35 input accounts
(P/L, B/S, CF) + 3-7 BU
KPI's

Review forecasted
performance against
historical performance on
rolling basis (Last4 Next4)
Trend analysis of KPI's

Actions and corrections



Strategy and Capital allocation

5 year strategy and
financial forecast on same
level as Rolling Forecast

Focus on portfolio
composition and cash
flows/investments

Board approved
investment indication

Dynamic allocation of
capital to projects

Long term targets



Target setting

Short term (1 year)

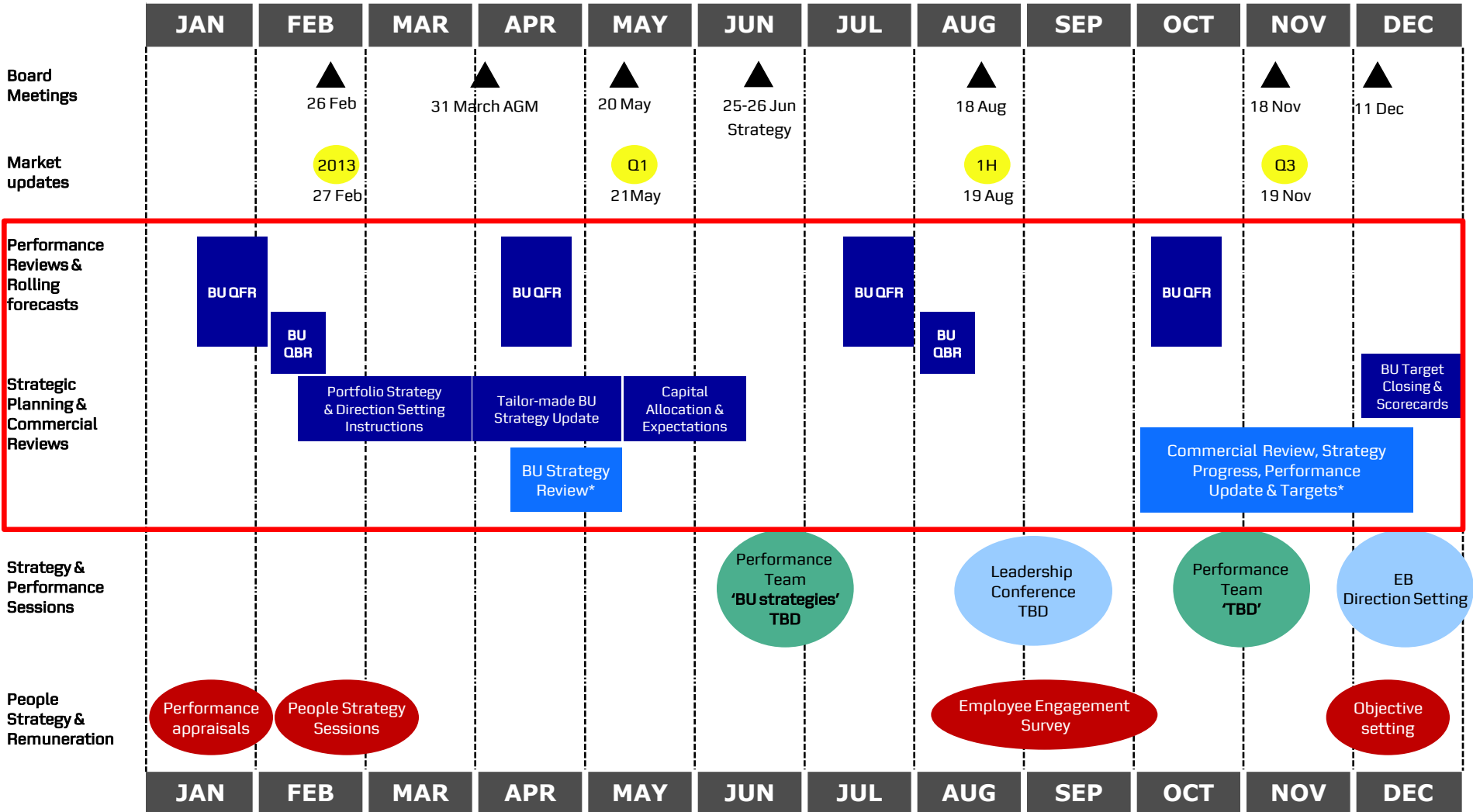
2 Financial KPIs; 1 relative
and 1 absolute

3-4 Business Unit specific
linked to strategy
(financial or non-financial)

Ambitious Targets set
based on external
benchmarking

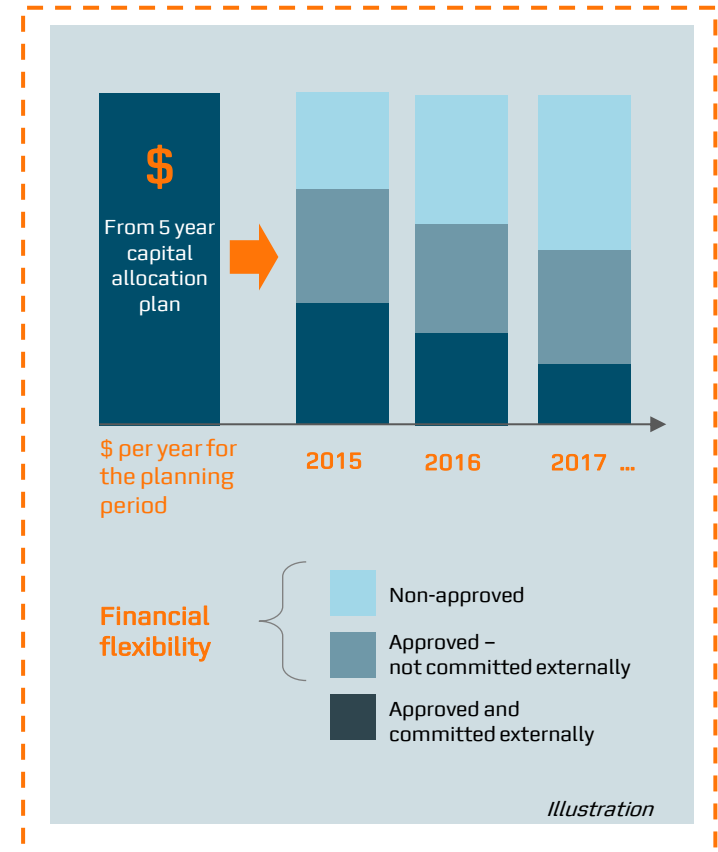
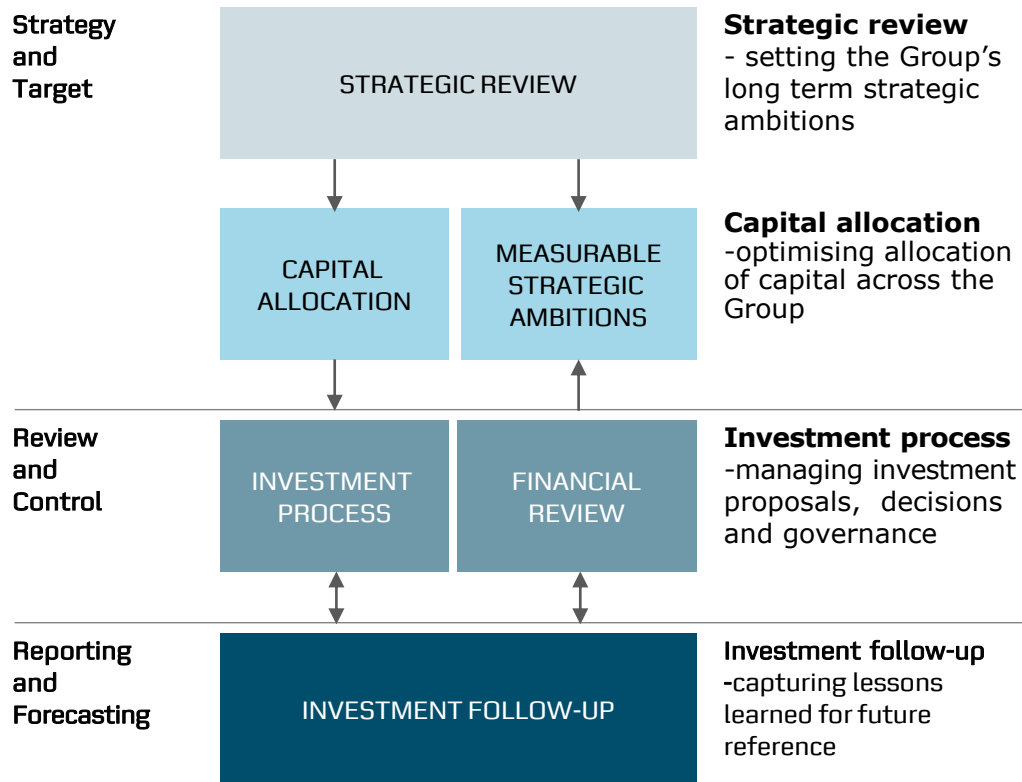
Identical to bonus targets
in people performance
management

Group Operating System 2015

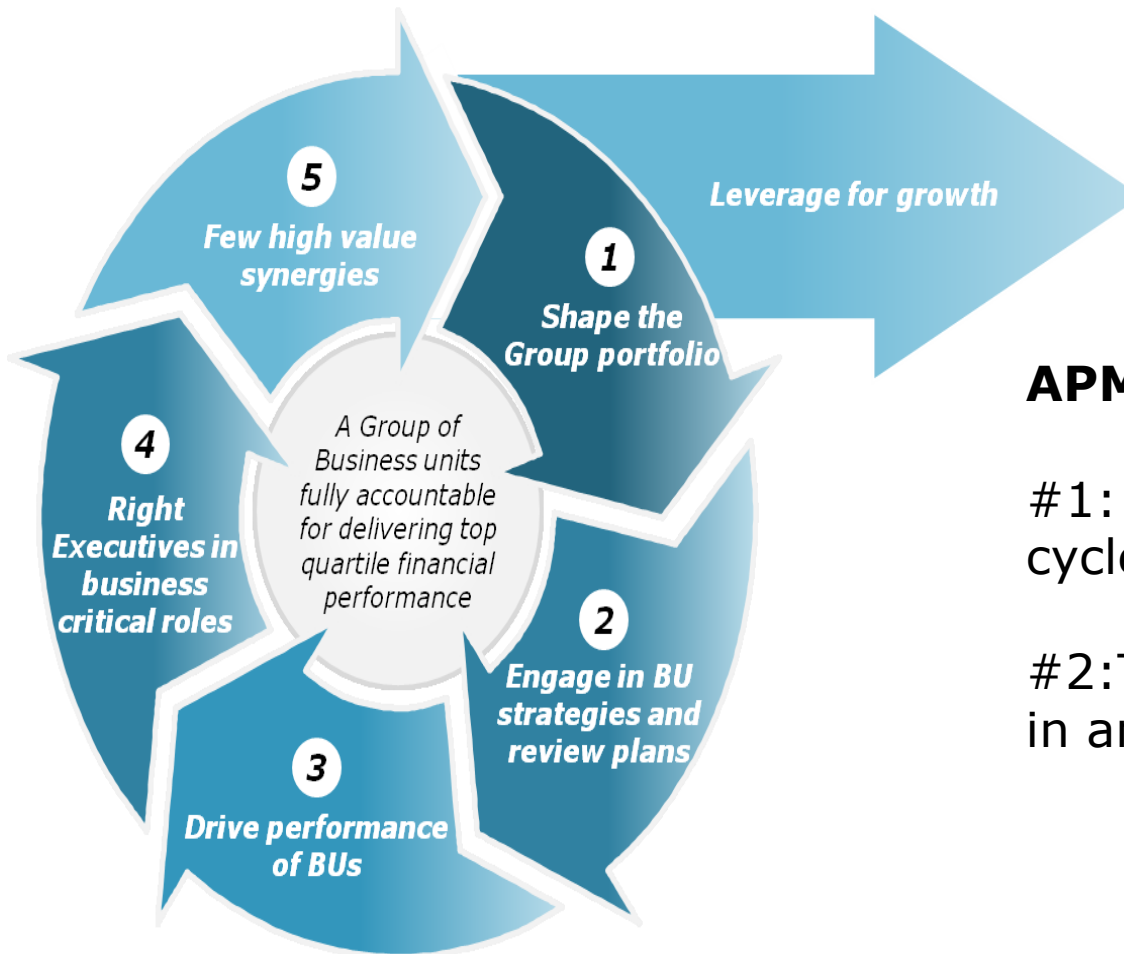


Investment process of the Group

Structured investment process with financial flexibility



Creating a pressure cooker for performance

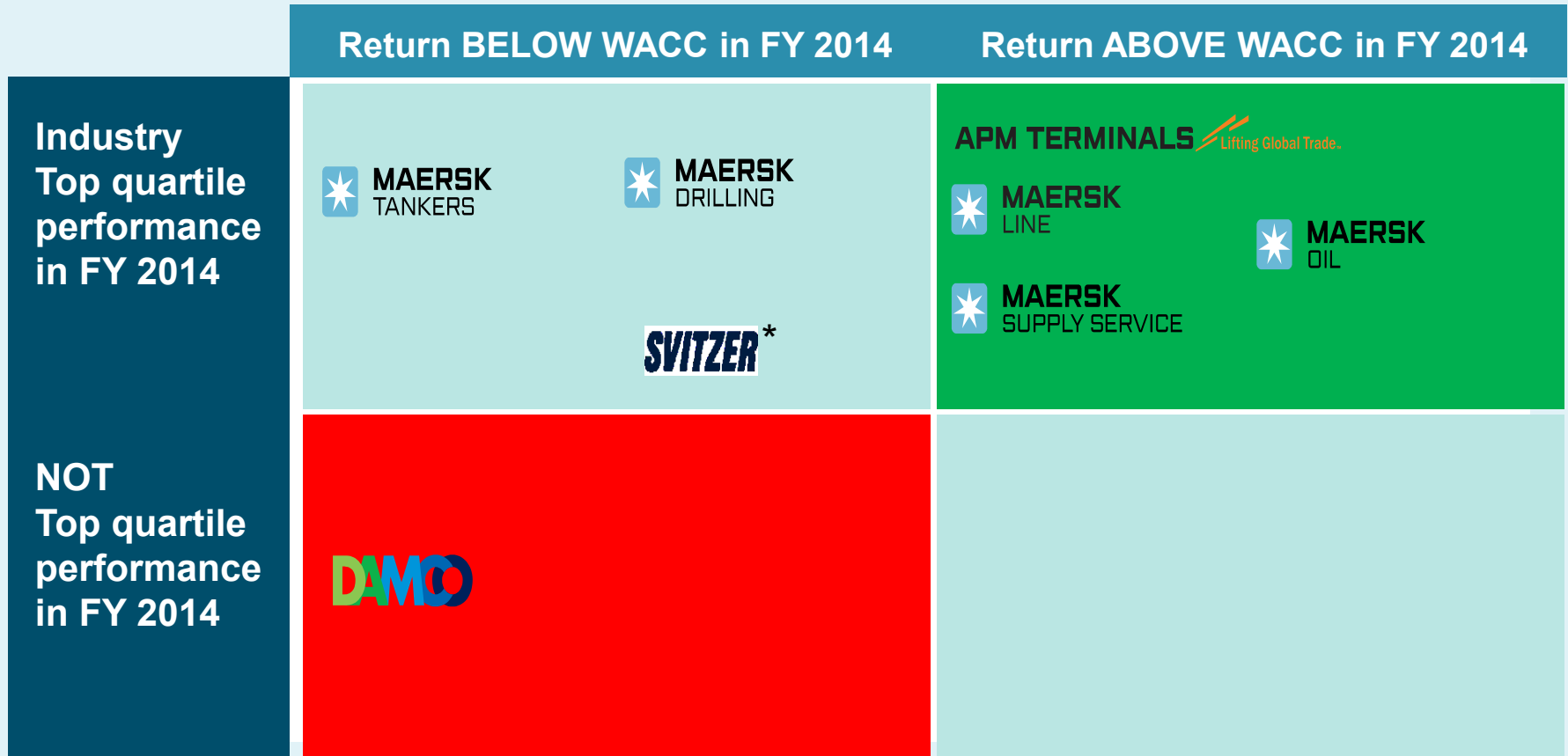


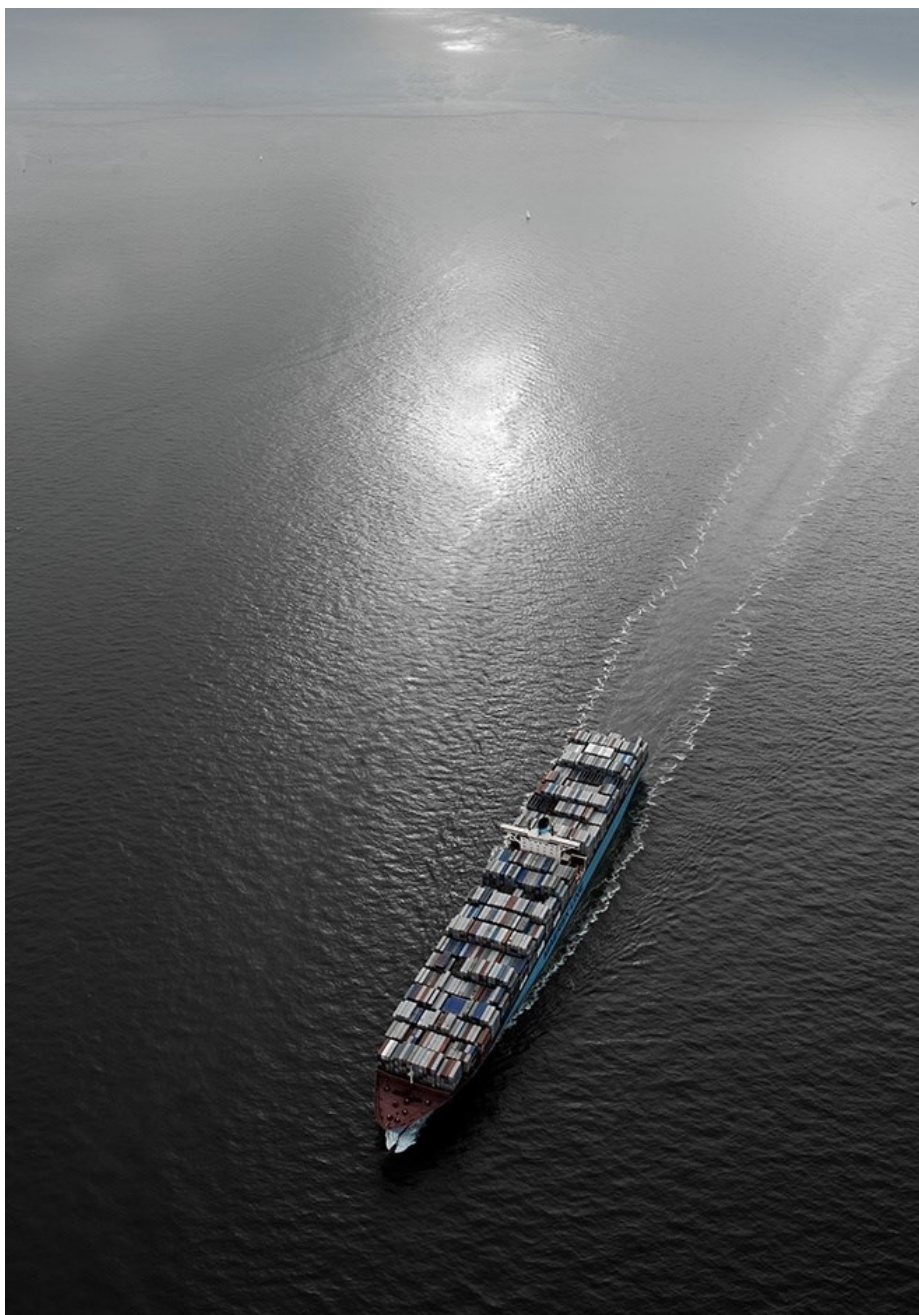
APMM Success criteria

#1: Value creating over the cycle

#2: Top quartile performance in any given period

Our businesses deliver top quartile returns





Realized Benefits

- Simplicity – forecast on BU
- Improved performance discussions (30/70%)
- Better Targets
- Increased visibility
- Clear direct link from Strategy to actions
- Dynamic capital allocation based on performance
- Better and Faster decision making
- Increase autonomy and ownership



Thank you for
listening, any
Questions?