Today’s presentation

INTRODUCTION TO KLINE & COMPANY

THE GLOBAL PERSONAL CARE INGREDIENTS MARKET

FOCUS ON THE U.S. MARKET

SINGULARITIES OF THE NORTH AMERICAN MARKET
Kline is a leading global management consulting and market research firm offering to its clients the complete spectrum of services.

One-way flow of people, ideas, and information.

9 Offices worldwide

- Parsippany, NJ (HQ)
- London
- Brussels
- Prague
- Gurgaon
- Hyderabad
- Shinagawa
- São Paulo
- Shanghai
- Tokyo
What makes us different?

PRIMARY RESEARCH

Kline research heavily leans on a high number of in-depth interviews conducted for each report.

Attendance at trade shows and conferences.

We have local researchers in native languages and our interviews engage hands-on experts across all pertinent fields including:

- Suppliers/manufacturers
- Distributors
- End-users
- Opinion leaders
- Government agencies
- Trade organizations

SECONDARY RESEARCH

Primary research is supported by constant tracking of annual company reports, national statistics bureaus, and trade/industrial/professional associations. New developments are diligently followed and their impact closely monitored.

MARKET INTELLIGENCE

Interviews and conversations with the main players within each field together with our rigorous analyses and cross checks create an insightful and comprehensive market intelligence.
Active since the 1960s, Kline’s personal care domain expertise covers the entire value chain.

**Personal Care Value Chain**

- Basic Chemical Supplier
- Personal Care Raw Material Supplier
- Personal Care Raw Material Distributor
- Contract Manufacturer
- Brand Owner
- Finished Goods Distributor
- Retail
- Consumer

**Examples include:**

- Antimicrobials
- Conditioning polymers
- Emollients
- Film formers
- Hair fixative polymers
- Rheology control agents
- Skin whitening agents
- Specialty actives
- Specialty delivery systems
- Specialty and commodity
- UV absorbers

- Fragrances
- Hair care
- Makeup
- Nail care
- Oral care
- Skin care
- Toiletries

- Department stores
- Direct sales
- Drug outlets
- Food stores
- Mass merchandisers
- Pharmacies/perfumeries
- Salons
- Spas/beauty institutes
- Specialty stores
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- FOCUS ON THE U.S. MARKET
- SINGULARITIES OF THE NORTH AMERICAN MARKET
The personal care market as a growing market in the world

**MAIN CHARACTERISTICS OF THE PERSONAL CARE INDUSTRY**

- Global sales in the range of USD 400-450 billion at retail
- Expected to grow at a CAGR of 3.5% to 4.5% until 2020
- Regulations affecting usage of ingredients
- Low capital intensive base and high return on capital
- Can weather recession better than most other industries
Anti-aging is the single largest product type in the global personal care market, as well as a key growth engine for the entire industry.
## Makeup

### Transformative Lips
- **Ciaté London**
  - Liquid Lipstick Transforms from Metallic Matt to a Sparkling Glitter
- **Lipstick Queen**
  - Lipsticks that transform to peachy corals, fairytale rose, and berry lips

### Flaming Shadows
- **Huda Beauty**
  - Desert Dusk Eyeshadows
- **Natasha Denona**
  - Sunset Palette

### Cosmetics Become Nostalgic
- **Besame Cosmetics**
  - Snow White collection
- **Lorac Cosmetic’s**
  - Beauty and the Beast Collection

### Ethereal Shades
- Holographic shades for out-of-this-world luminosity and shine
Skin Care

A NEW LEVEL OF SKIN PROTECTION

Murad City Skin Age Defense Broad Spectrum SPF 50 PA++++
Protects against UVA, UVB, pollution, blue light from devices, and infrared radiation

ERH Male Masks

Murad City Skin Age Defense Broad Spectrum SPF 50 PA++++
Protects skin from the effects of harmful, artificial light from tablets, smartphones, laptops, and iPads, as well as urban pollution

MASKING PHENOMENON: MALE EDITION

FaceTory releases a limited edition Men’s Sheet Mask Box in 2017

ERH Male Masks

HOW NATURAL IS MY NATURAL PRODUCT?

Walmart’s new beauty brand, Found, shows the percentage of natural ingredients on the front of the product

Andalou Naturals updates its packaging to reflect percent of natural ingredients and certifications
Hair Care

INNOVATION IN TREATMENT DELIVERY SYSTEMS

IGK Swipe Up No-Frizz Smoothing Wipes
OUAI Anti-Frizz Sheets
Briogeo Don't Despair, Repair! Deep Conditioning Hair Cap System

CHARCOAL MIGRATES TO HAIR

HASK Charcoal Purifying Dry Shampoo
Briogeo Scalp Revival Charcoal+biotin Dry Shampoo

SPOTLIGHT ON SCALP CARE

Briogeo Scalp Revival Charcoal+coconut oil micro-exfoliating shampoo
dp HUE Apple Cider Vinegar Scalp Scrub
Other Toiletries

**ARTISANAL FRAGRANCES LAUNCH**
**BATH AND BODY PRODUCTS**

Le Labo Expands into bath products

**FARM-TO-BODY CONCEPT**

Fytt Healthy Lifestyle Skincare’s Green Juice Body Scrubs

**MULTIFUNCTIONAL DEODORANTS**

Fig+Yarrow Underarm Lotion that combines

Nourish Organics Deodorant Stick

**THE NEW SHOWER EXPERIENCE**

Kiehl’s Oil to Foam Body Cleanser

Bioderma Atoderm Huile de Douche
Specialty ingredients represent the largest growth potential within the personal care ingredients business.

### Personal Care Ingredients Market: $22.7 billion

<table>
<thead>
<tr>
<th>Basis for comparison</th>
<th>Undifferentiated</th>
<th>Differentiated</th>
<th>~1.7 billion</th>
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</thead>
<tbody>
<tr>
<td>~USD 11.5 billion</td>
<td>~USD 9.5 billion</td>
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<tr>
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<th>Commodities: sold to specification</th>
<th>Specialties: sold on performance</th>
<th>Active ingredient: selling a concept</th>
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<tbody>
<tr>
<td>Average growth (CAGR)</td>
<td>Low</td>
<td>Moderate to high</td>
<td>High</td>
</tr>
<tr>
<td>Market and customer fragmentation</td>
<td>Low to moderate</td>
<td>Moderate to high</td>
<td>Moderate to high</td>
</tr>
<tr>
<td>Service and R&amp;D intensity</td>
<td>Low</td>
<td>Moderate to high</td>
<td>Very high</td>
</tr>
</tbody>
</table>
Europe and the United States are the two largest markets for personal care ingredients, followed by Brazil and China, who form the next level, and other smaller markets.

Value Share of Personal Care Ingredients by Region, 2017

- The country markets can be split into three categories:
  - Europe, the United States, and Japan—three mature markets.
  - China—a growth market, where consumers are shifting towards mid- to high-end personal care products and adopting premium ingredients.
  - India and Southeast Asia—smaller markets, but with huge potential.

Total market value: USD 9.5 billion
Emollients, surfactants, and conditioning polymers dominate consumption in this industry

Value Share by Personal Care Ingredient Group, 2016

- Emollients
- Surfactants
- Conditioning polymers
- Rheology control agents
- Antimicrobials
- Emulsifiers
- Opacifiers and pearlers
- UV Absorbers-a
- Hair fixative polymers

Total market value: USD 9.5 billion

a- Includes UV filters, UV boosters, UV stabilizers, and waterproofing polymers.

- Hair care and skin care are the two largest applications and, as a result, ingredients used in them have a larger share in the market.
  - For example, conditioning polymers are mainly used in hair care while emollients are mainly used in skin care.
  - These two are among the largest ingredient groups in this industry.
Europe and the United States are also the two largest markets for active ingredients.

Country markets can be split into three categories:

- **Europe and the United States**, two mature markets with actives consumption growing strongly.
- **China**, a growth market, where consumers are shifting towards mid-to high-end personal care products driving the use of specialty actives.
- **Brazil**, a smaller market with low growth.

*Value Share of Specialty Actives by Region, 2017*

Total market value: USD 1.2 billion
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Due to the high volume of commoditized humectants, emollients are the leading volume category, and conditioning polymers are the most consumed ingredients in the United States by value

U.S. Market Breakdown for Personal Care Ingredients by Product Category, 2017

- ~ 775,000 tonnes
- ~ $2.7 Billion
Skin care represents the largest application in both value and volume, and oral care represents a relatively large volume application, but its share in value is much smaller.

**U.S. Market Breakdown for Personal Care Ingredients by Product Category, 2017**

- **Volume**: ~775,000 tonnes
- **Value**: ~$2.7 Billion
After the merger with Dow Corning, Dow is the largest personal care ingredients in the United States.

U.S. Personal Care Ingredients Value Market Share, 2017

Total market value: USD 2.7 billion
Botanicals, biotechnology actives, and proteins and peptides lead the market for specialty actives

Value Share of Specialty Actives by Active Category, 2017

- Botanicals-a
- Enzymes and coenzymes
- Marine ingredients
- Synthetic actives
- Proteins and peptides-b
- Biotechnology

**Total market value:**
**USD 278 Millions**

- Excludes unsubstantiated extracts.
- Includes synthetic peptides.

Familiarity, customization, high efficacy, natural trends, and ease of formulation leads to high usage of botanicals, biotechnology, and proteins and peptides in the personal care industry.

Issues related to sourcing and safety lead to relatively low usage of other active categories.
Consumption of waterproofing polymers and UV boosters is expected to grow faster than the average growth in consumption of the personal care ingredients market.

Growth in Consumption of Personal Care Ingredients in the United States by Ingredient Group, 2017 to 2020

- Rheology control agents
- Emollients
- UV absorbers
- Surfactants
- Average
- Emulsifiers
- Antimicrobials
- Hair fixative polymers
- Conditioning polymers

Growth, %
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- Focus on the U.S. Market
- Singularities of the North American Market
The United States is where leave-on applications represent the largest share of ingredients consumption.

Ingredients Market Breakdown by Application and Region, 2017

- United States
- Europe
- China

Legend:
- Leave-on
- Rinse-off
The market by ingredient category is quite diverse from a country to another.

Market Breakdown for Personal Care Ingredients by Product Category and Region, 2017
As in other regions, synthetic ingredients still represent the largest part of the ingredients market.
The share of natural ingredients varies widely according to the ingredients category considered.

### Natural vs. Synthetic Ingredients for Selected Categories by Volume, 2017

- **Hair fixative polymers**: Predominantly synthetic ingredients.
- **Conditioning polymers**: Predominantly natural ingredients.
- **Emollients**: Predominantly natural ingredients.
- **Rheology control agents**: Predominantly natural ingredients.

**Legend:**
- Natural ingredients
- Synthetic ingredients
Within the conditioning polymers category, silicones are over-represented in the United States compared to Europe and China

Market Breakdown for Conditioning Polymers by Type and Region, 2017

- United States
- Europe
- China

Legend:
- Silicones
- Polyquaterniums
- Proteins
Mainly shaped by regulation, the antimicrobials market is very different from a country to another.
THE PROGRAM WILL COME AS TWO KEY DELIVERABLES:

A fully interactive database and a set of concise report per region covered for each ingredients group

GEOGRAPHICAL COVERAGE:

- Brazil
- China
- Europe
- India
- Japan
- Southeast Asia
- United States
- Rest of World

BASE YEAR: 2018 / FORECAST: 2019-2023

NEW:

- Color cosmetics ingredients
- 200 ingredients
- Detailed analysis of preservative boosters

Publication Q4 2018
A NEW PROGRAM TO UNDERSTAND THE IMPLICATIONS OF A KEY INDUSTRY MOVE

- Comprehensive Directory of Contract Manufacturers
- Interactive Map Tool
- Company Profiling
- Analysis of Formulation Capabilities

GEOGRAPHICAL COVERAGE:

- China
- Southeast Asia
- Europe
- United States

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**Kline** is a worldwide consulting and research firm dedicated to providing the kind of insight and knowledge that helps companies find a clear path to success. The firm has served the management consulting and market research needs of organizations in the agrochemicals, chemicals, materials, energy, life sciences, and consumer products industries for over 50 years. For more information, visit www.KlineGroup.com.

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