

GLOBAL AND REGIONAL GROWTH DRIVERS IN HYGIENE ABSORBENT PRODUCTS

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HYGIENIX 2015

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INTRODUCTION

- **Growth drivers for hygiene absorbent products**
 - Demographics
 - Consumer income growth trends
 - Lifestyle aspirations
 - Consumer preferences
 - Market and product design trends
 - Material technology developments and trends

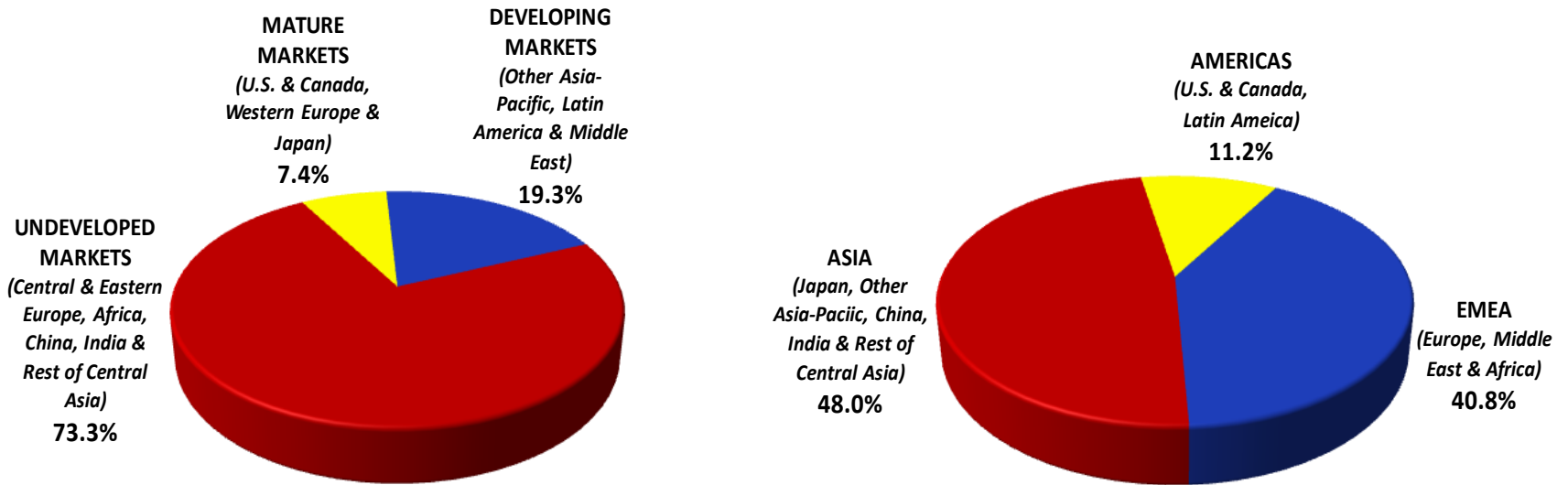
DEMOGRAPHICS

- **Birth rates** are **steadily declining** in most of the developing countries of the world and are flat in the mature markets.
 - By 2019, approximately 73% of the global infant population will be in the undeveloped markets.
 - Almost 43% of the infants will be in the nine largest emerging market countries.
- The populations of **older adults** that drive demand for adult incontinence products **are growing at faster rates** than the total populations in most countries.

2019 FORECAST OF GLOBAL INFANT POPULATION

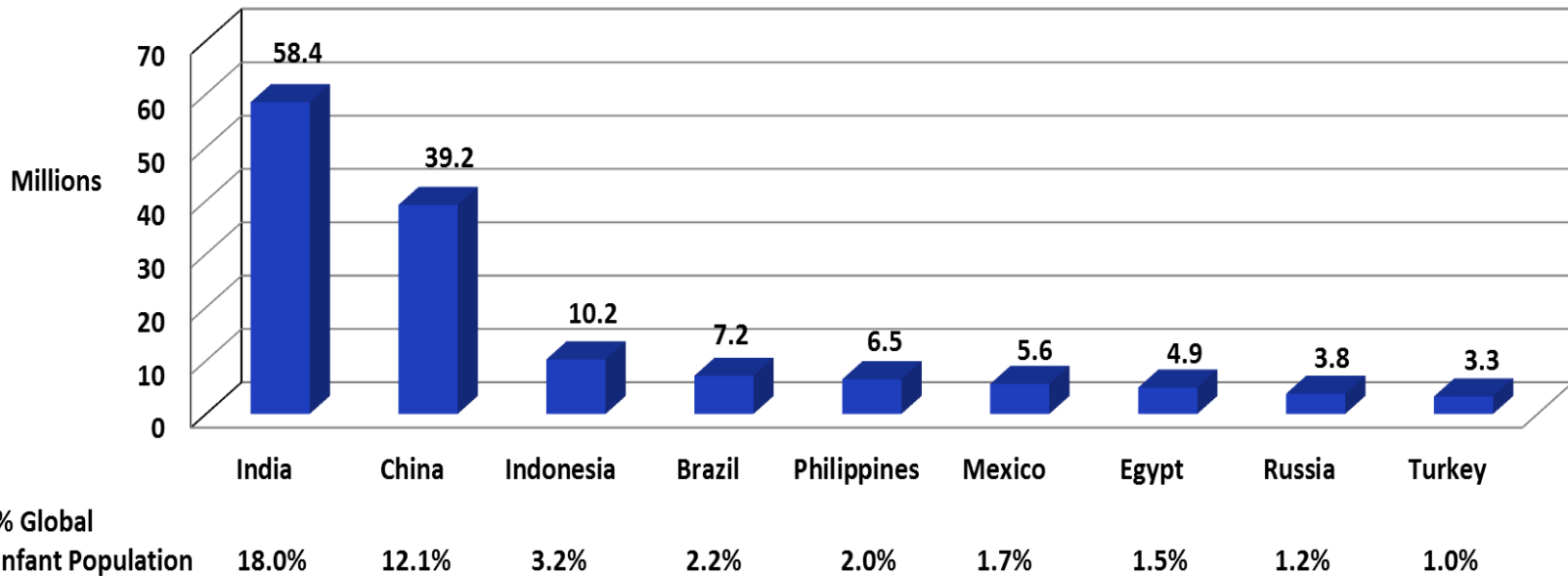
(Newborn to 30 Month Old Babies)

2019 = 325.2 Million



Source: Estimates based on International Data Base, U.S. Census Bureau and country government statistics.

2019 FORECAST OF INFANT POPULATIONS IN LARGEST DEVELOPING MARKETS (Newborn to 30 Month Old Babies)



Source: Estimates based on International Data Base, U.S. Census Bureau and country government statistics.

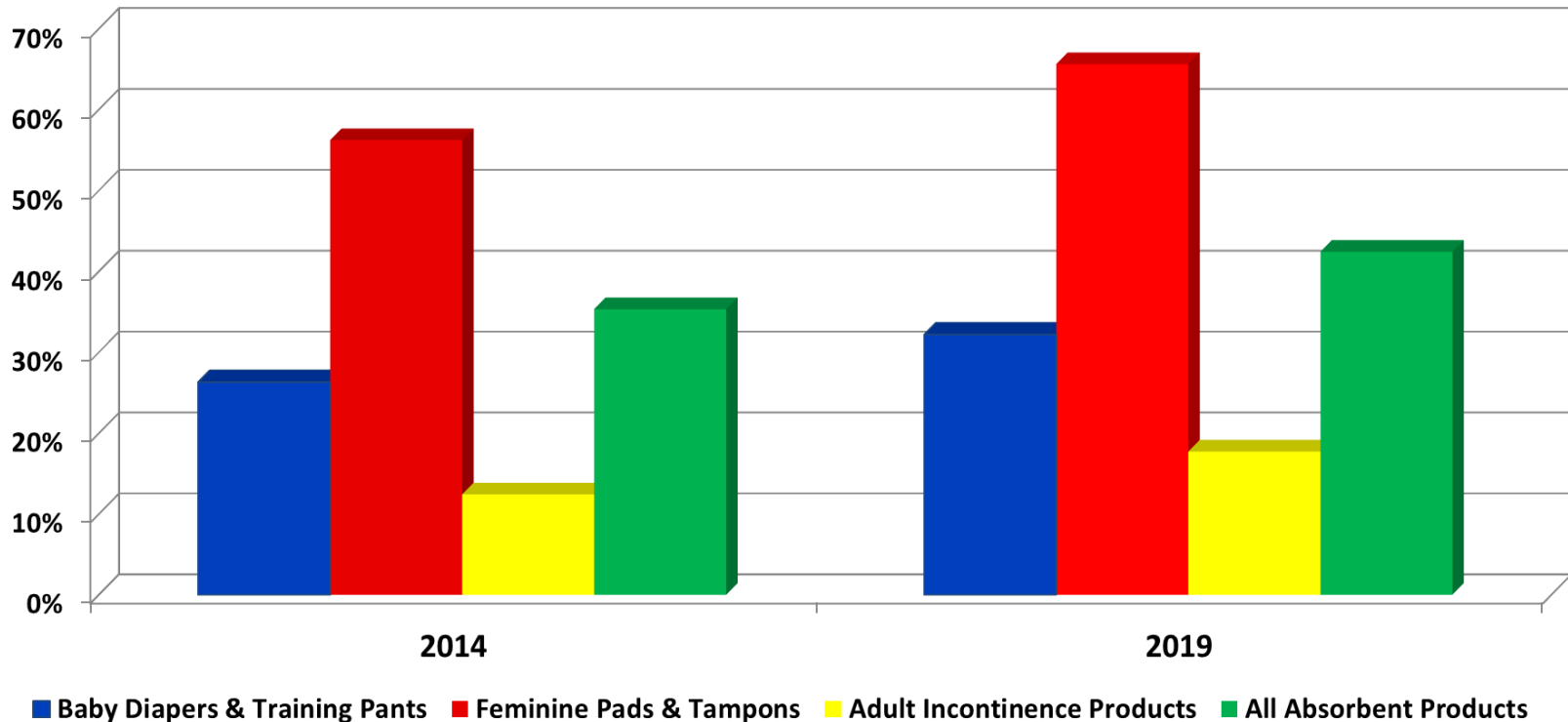
CONSUMER INCOME TRENDS

- Consumer income growth is required to raise living standards and to make disposable hygiene products affordable.
- The global hygiene market has substantial opportunity for future growth from market penetration if the population segments that are yet to be penetrated can achieve rising consumer incomes.
- Unfortunately, economic growth has slowed or even declined in some of the largest population emerging markets.

OUTLOOK FOR GROWTH FROM MARKET PENETRATION

GLOBAL MARKET PENETRATION OF ABSORBENT PRODUCTS (Consumption Volume/Theoretical Market Potential)

% Penetration



Source: Price Hanna Consultants LLC estimates

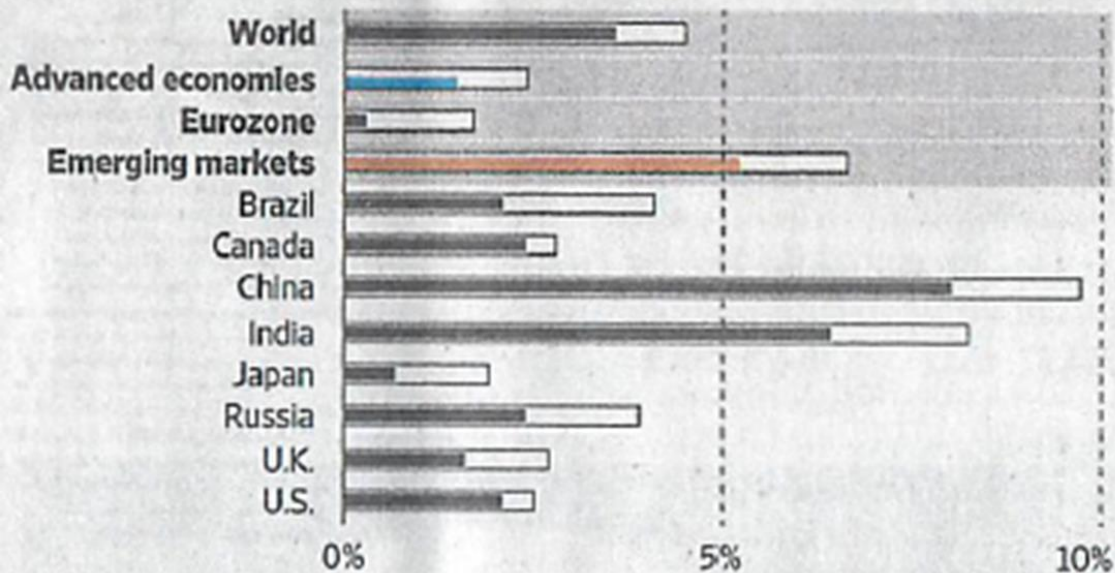
WALL STREET JOURNAL "SOFT GLOBAL GROWTH SHOWS POLICY LIMITS" 9/18/15

Disappointing Returns

World growth has persistently fallen short of expectations as governments failed to enact needed economic overhauls..

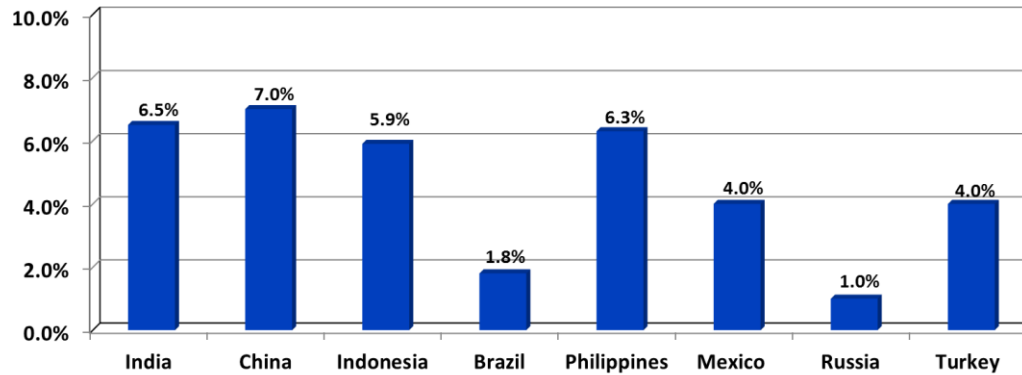
Average economic growth, 2011-2014

IMF projections from April, 2010 (□), actual values (■)



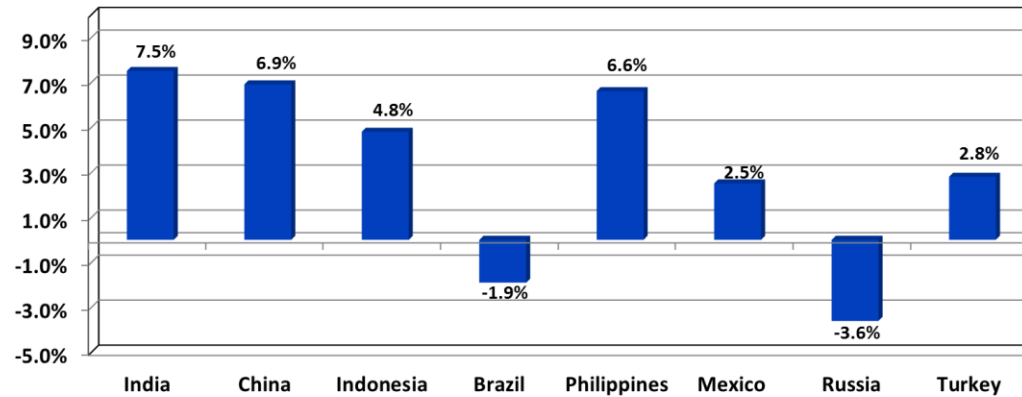
Sources: WSJ calculations and IMF data (growth); J.P. Morgan Chase (central banks)

**GDP GROWTH RATES IN LARGEST DEVELOPING MARKETS
(January 2015 Forecasts of GDP Growth Rates)**



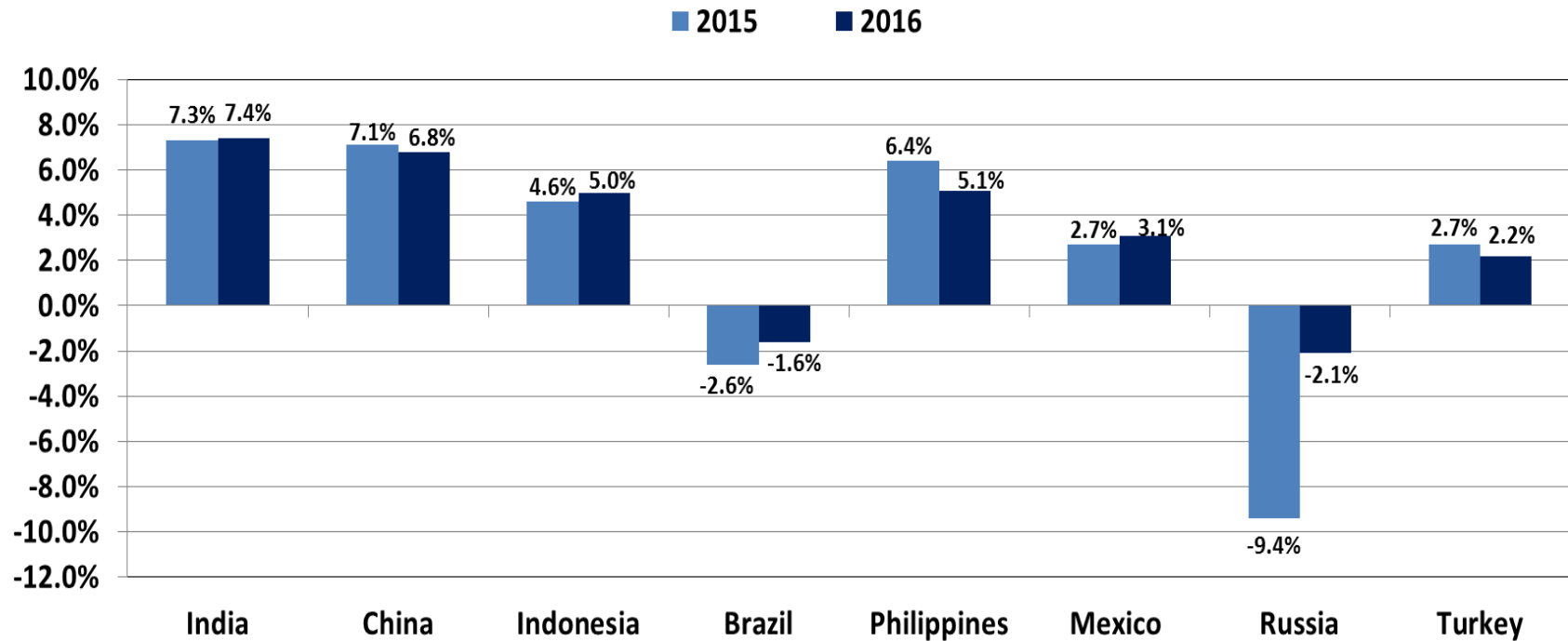
Source: Economist Intelligence Unit, "The World in 2015"

**GDP GROWTH RATES IN LARGEST DEVELOPING MARKETS
(Recent 2015 Forecasts of GDP Growth Rates)**



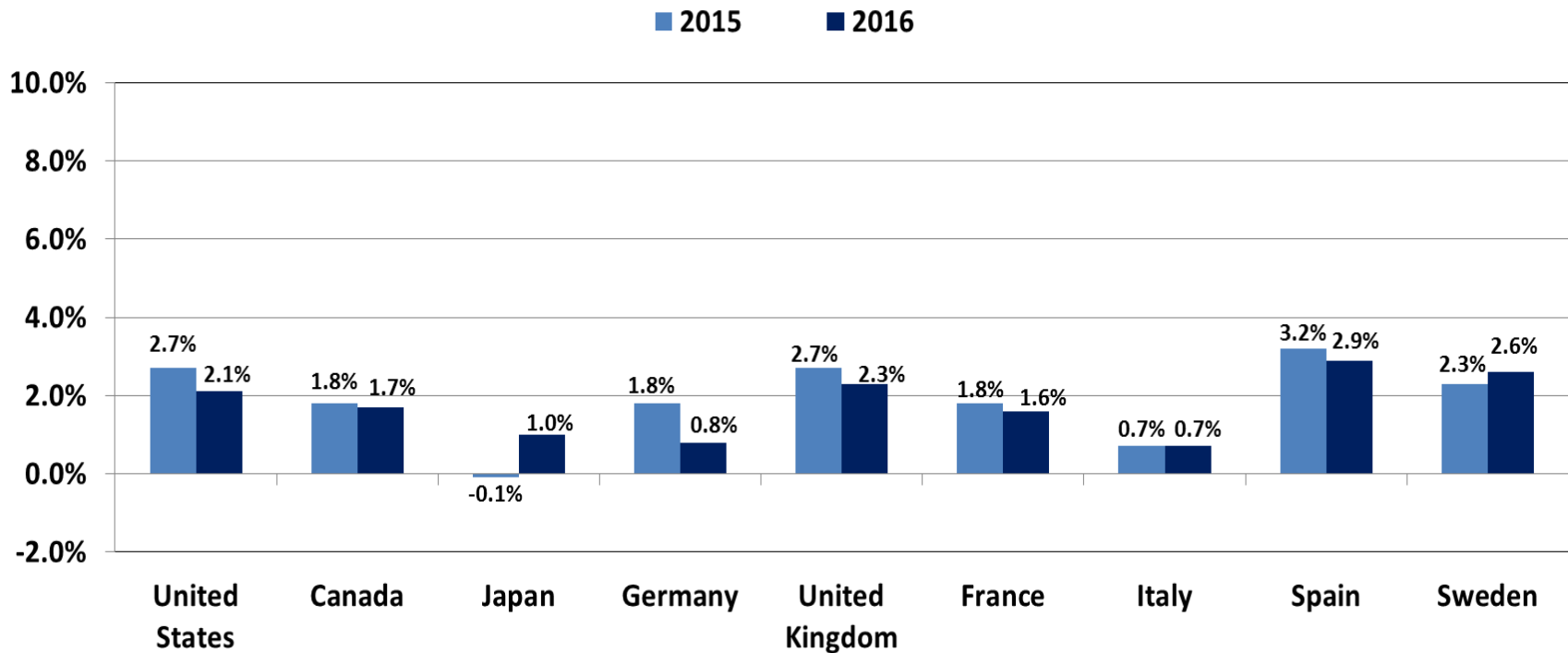
Source: The Economist - September 26, 2015

GROWTH IN PRIVATE CONSUMPTION EXPENDITURES IN LARGEST DEVELOPING MARKETS (Recent Forecasts for 2015 and 2016 % Real Change from Prior Year)



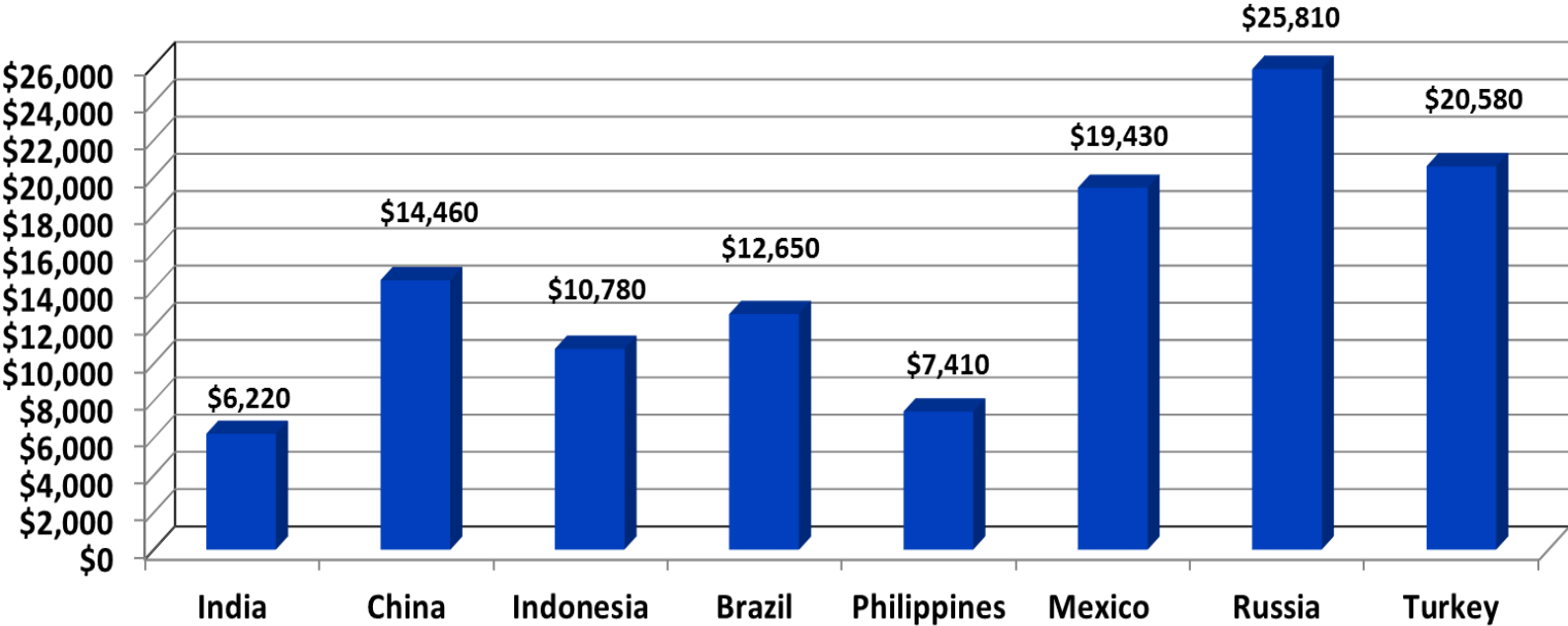
Source: Economist Intelligence Unit

GROWTH IN PRIVATE CONSUMPTION EXPENDITURES IN LARGEST MATURE MARKETS (Recent Forecasts for 2015 and 2016 % Real Change from Prior Year)



Source: Economist Intelligence Unit

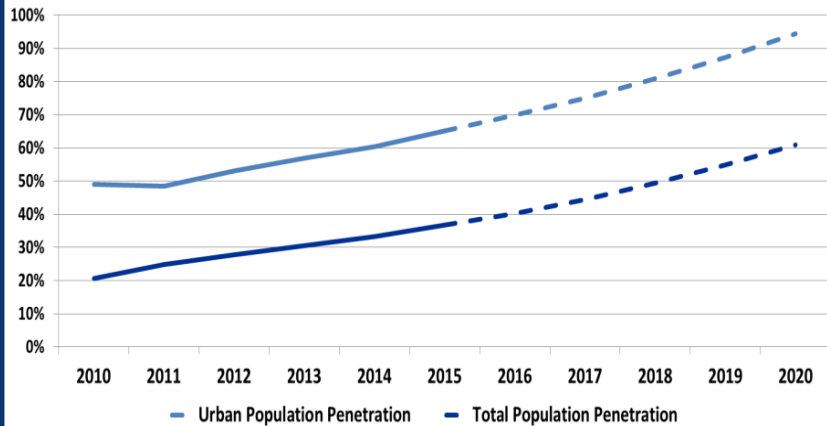
GDP PER CAPITA IN DEVELOPING MARKETS (Purchasing Power Parity Basis - 2015 Forecasts)



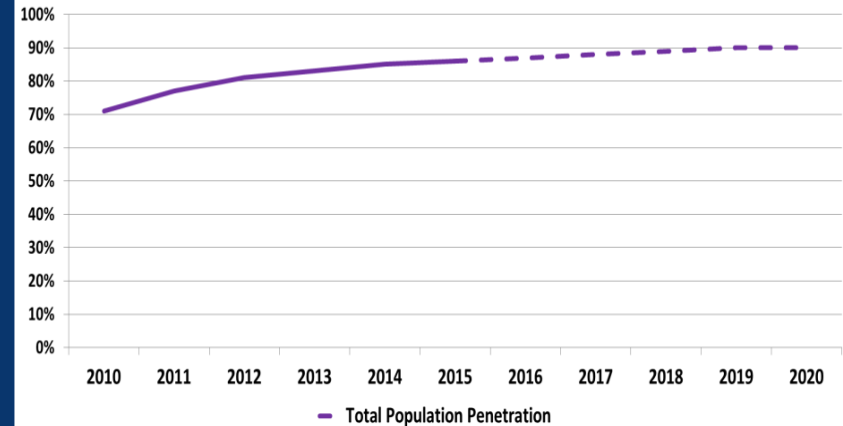
Source: Economist Intelligence Unit, "The World in 2015"

GROWTH FROM DIAPER MARKET PENETRATION

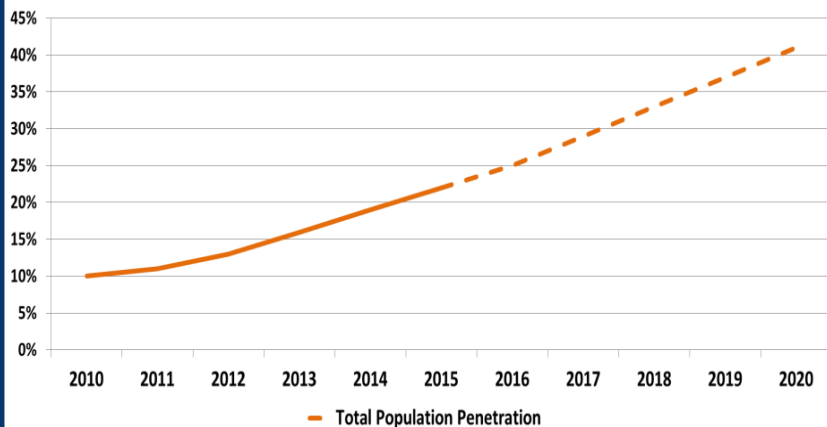
CHINA - DIAPER MARKET PENETRATION



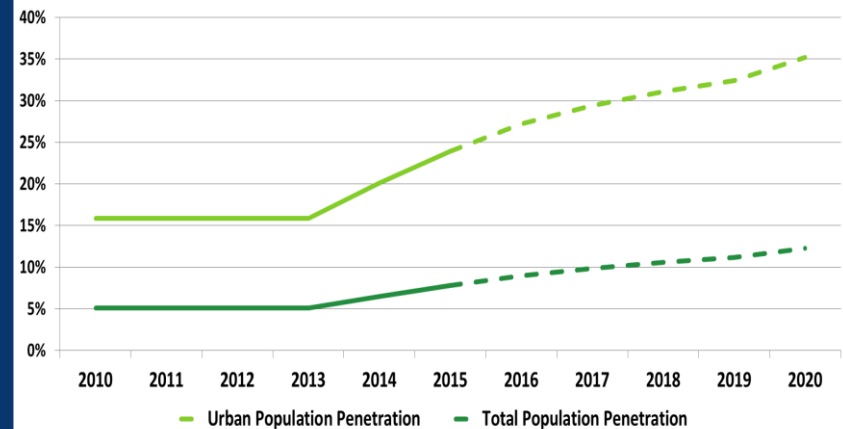
BRAZIL - DIAPER MARKET PENETRATION



INDONESIA - DIAPER MARKET PENETRATION



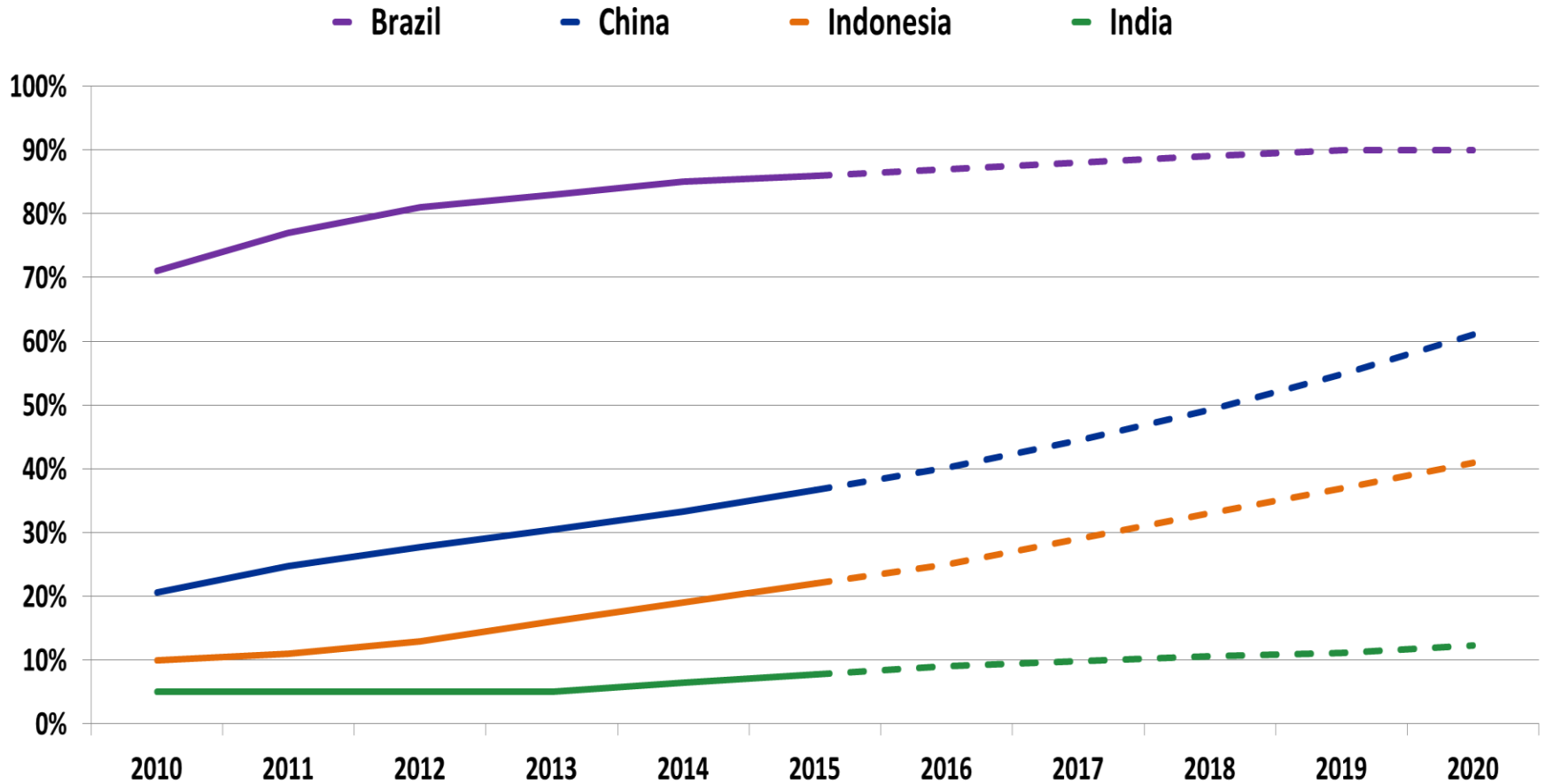
INDIA - DIAPER MARKET PENETRATION



Source: Price Hanna Consultants LLC estimates

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DIAPER MARKET PENETRATION IN FOUR LARGEST INFANT POPULATION COUNTRIES



Source: Price Hanna Consultants LLC estimates

LIFESTYLE ASPIRATIONS

- Maintain **active lifestyles** without mobility limitations or accident risks
 - No messy complications for parents when outside homes with babies in diapers
 - Seniors with incontinence issues have convenient product solutions to maintain active lives without fear of leaks.
- Hygiene products must be **comfortable** and **undetectable** under stylish clothing. “... feels like ... wearing nothing”

CONSUMER PREFERENCES

- **Reliable Leakage Protection – For many hours**
- **Convenience**
 - Time-saving convenience for baby diaper purchases
 - Discretion and shopping ease for adult incontinence product purchases
- **Comfortable and Attractive**
 - Soft and cushiony
 - Stylish and high quality aesthetics

PROCTER & GAMBLE DIAPER ADS EMPHASIZE SUPERIOR PROTECTION “ALL NIGHT” – “UP TO 12 HOURS”

The security of all night protection*



* Up to 12 hours

Available in sizes 3 – 6

UP TO 12 hours of overnight protection

- 3 Layers of Absorbency
- Wide UltraAbsorb Layer
- Snug, Stretchy Sides
- 12 Hour Overnight Protection

Pampers baby dry

PROCTER & GAMBLE – TRAINING PANTS WITH “OUTSTANDING LEAK PROTECTION”

Outstanding Leak Protection While Potty Training!



- All-in-one Training Pant ●
- Pampers Leak Protection™ ●
- Underwear-like Designs ●
- Super-stretchy Sides ●

*vs. size 4 Huggies® Pull-Ups® Learning Designs®
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Pampers
easy ups

Outstanding Leak Protection While Potty Training!



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Pampers
easy ups

E-COMMERCE FOR CONVENIENCE & TIME-SAVING

- Internet sales of hygiene products are significant and are continuing to grow due primarily to the convenience of internet shopping for baby diapers and adult incontinence products.
 - Mothers value the convenience of ordering diapers online for shipment directly to their home, especially if they have a newborn baby or a number of young children that make frequent shopping for large bulk packaged items difficult.
 - Incontinent people living at home and their caregivers also value the ability to order supplies of incontinence products online for home delivery.

E-COMMERCE FOR CONVENIENCE AND VALUE

- In the U.S. almost all of the leading retailers in the food, drug and mass merchandise channels maintain websites that provide home delivery for hygiene absorbent products with free shipping for purchases in the \$25 to \$50 range.
 - Walmart offers free shipping for online purchases of \$50 or more.
 - Target offers free shipping for online purchases of \$25 or more.
- It is easy for consumers to search for sales and monitor competitive pricing on the online shopping sites to ensure that they are purchasing products at the best prices.

E-COMMERCE FOR CONVENIENCE - U.S. EXAMPLES

- The club stores, Costco (costco.com) and Sam's Club (samsclub.com), provide free shipping to their members for all purchases. They offer large quantity boxes of hygiene products so their typical purchases are higher than the online purchases that may be made from other retailers.
- Procter & Gamble, Kimberly-Clark and other leading brand manufacturers also offer consumers the opportunity to buy their products directly from their web sites for home delivery.

E-COMMERCE FOR ON-GOING CONVENIENCE

- U.S. EXAMPLES

- **Subscription services** have become popular for on-going convenience and savings especially for baby diapers and adult incontinence products
 - Amazon.com's Prime subscriptions provide ongoing scheduled deliveries, free shipping and up to 20% discounts on baby diapers. It has become a major supplier of diapers to U.S. families.
 - Target.com has a strong diaper subscription service offering 5% discounts and free shipping for most of their in-store diaper range.
 - Specialty hygiene products that are not consistently available on retail shelves are sold through internet subscriptions.


E-COMMERCE FOR SPECIALTY HYGIENE PRODUCTS

- U.S. EXAMPLES

- Premium diapers with backsheet patterns and designs are sold through e-commerce by specialty marketers, such as The Honest Company.
- Diapers with environmentally friendly materials often are sold through e-commerce, a major example is Seventh Generation diapers. These specialty diaper marketers offer monthly subscription bundles of diapers and wipes.
- Specialized internet distributors of adult incontinence products offer subscription services, sample products and healthcare advice:
 - Home Delivery Incontinence Supplies (HDIS.com)
 - The CareGiver Partnership (Caregiverpartnership.com)

NOVEL AESTHETICS: DIAPER PRINTS

EXAMPLES FROM THE HONEST COMPANY




New!

classic diaper prints

introducing multi colored giraffes, t-rex, pastel tribal, poppies & workshop

Shop Now

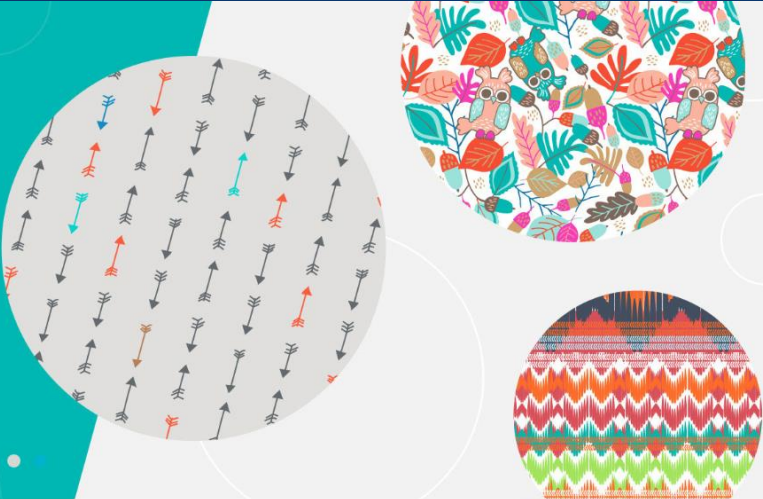


New!

fall diaper prints

introducing arrows, owls & woven tribal

Shop Now



MARKET AND PRODUCT DESIGN TRENDS

Growth Market Segments

- **Pants**
 - Baby diaper pants
 - Adult protective underwear
- **Pet Care**
 - Canine equivalents of diapers, underpads and adult incontinence products
- **Problem Solver Niche Products**

Product Design Priorities

- **Thinner, Softer, Fashion Patterns**

GROWTH IN SPECIALTY HYGIENE PRODUCTS

- **Pet pads and doggie diapers**
 - house training
 - crate pads for travel
 - senior dog diapers/wraps for incontinence
- **New solutions – two examples featured at Hygienix**
 - *Butterfly* body liners for accidental bowel leakage (ABL) from Butterfly Health, Inc.
 - *Baby Backups* for “diaper blowouts” from Sienabena, LLC

PETSMART – DIAPERS FOR DOGS



PETSMART – TRAINING/POTTY PADS



PETSMART – DESIGNER PRINTS ON DOGGIE DIAPERS



MATERIAL TECHNOLOGY DEVELOPMENT PRIORITIES

- **Leakage Protection for Multiple Wettings Over More Hours**
 - Optimized material components for fluid dynamics and elastic fabrics for body hugging containment
- **Thinner**
 - Higher performance acquisition/distribution materials (ADLs) for high SAP % hygiene cores
- **Soft and Cushiony for Comfort**
 - Increased use of bicomponent fibers or extruded filaments for silky surface and bulky/cushioning nonwovens
 - Blends of specialty resins for more flexible and softer surface feel for spunmelt nonwovens
 - Optimized bonding patterns for lofty and cloth-like aesthetics

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