

WHAT'S NEXT? GLOBAL PERSONAL CARE INGREDIENTS OPPORTUNITIES IN THE POST-COVID ERA

Webinar

March 23, 2022

eKline

Today's Speaker



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Today's Presentation

- Introduction to Kline & Company
- Report Scope and Methodology
- Summary of Key Findings

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Kline has served the international specialty chemicals & materials industry for more than 60 years.

MARKET RESEARCH REPORTS

Identify market opportunities and create action plans with off-the-shelf reports

Industries served:

- Agribusiness
- Consumer Products
- Chemicals
- Construction Materials
- Food & Nutrition
- Home Care
- Personal Care
- Industrial Goods & Services
- Lubricants, Fuels, and Specialty Petroleum
- Life Sciences
- Medical Devices
- Minerals

TRUSTED FOR

- Strategy and Business Development
- Technology and Innovation
- Manufacturing and Supply Chain
- Customer Relationships

MANAGEMENT CONSULTING

Individual client work to solve business issues and help implement solutions

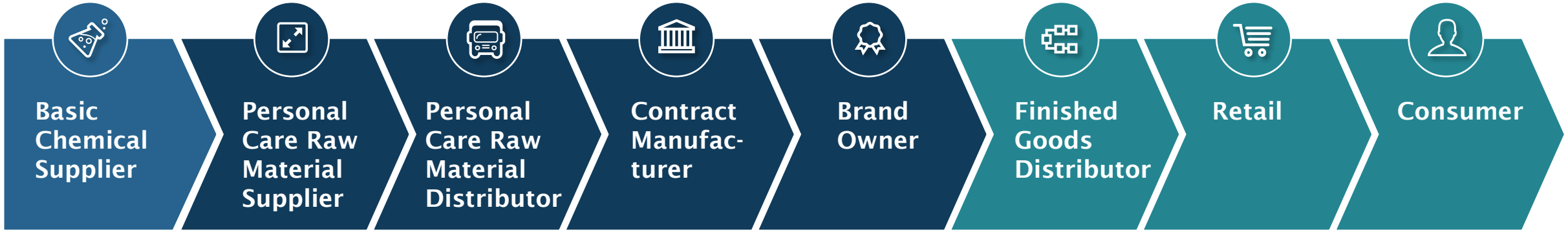


Our project teams are staffed with seasoned management consultants and operating executives from the chemicals industry.

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Kline's personal care domain expertise covers the entire value chain

PERSONAL CARE VALUE CHAIN



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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Personal Care Ingredients: Global Market Analysis

Base year is 2021
Forecasts from 2021 to 2026

Two key deliverables

INTERACTIVE DATABASE

- The database contains data on about 250 ingredients in the key regional markets, their consumption, supply, pricing, and forecast consumption.

250
INGREDIENTS COVERED

CONCISE REPORTS / DASHBOARD

- A set of reports per region for each ingredient group available through a new Power BI-powered dashboard
- Global coverage:
  - Africa
  - Brazil
  - China
  - Europe
  - India
  - Japan
  - Southeast Asia
  - United States
  - RoW





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The program covers about 250 ingredients within 10 main product groups, covering all key aspects of a personal care product formulation.

Ingredient group	Ingredient examples
Antimicrobials	MIT, CIT/MIT, BNPD, parabens, phenoxyethanol, triclosan, ZPT, Caprylyl glycol
Color cosmetics ingredients	Mica, talc, carmine, henna, aluminum powder, copper powder
Conditioning polymers	Cyclomethicone, dimethicone, PEG/PPG dimethicone, polyquats
Emollients	IPP, IPM, gluconic acid, glycerin, petrolatum, almond oil, argan oil, castor oil, chitosan
Emulsifiers	Isopropyl stearate/palmitate, PEG derivative, lecithin, polysorbates
Hair fixative polymers	PVP, VP/VA copolymers, acrylate copolymers, polyurethane
Rheology control agents	CMC, HEC, xanthan gum, fumed silica, HEUR, HASE, carbomer
Surfactants	SLS, SLES, betaines, alkyl polyglucosides, quats, amphoteric acetates
UV protection ingredients	OMC, homosalate, zinc oxide, UV solubilizers, SPF boosters
Miscellaneous	Opacifiers, pearlizers, beads, sensory enhancers, film formers

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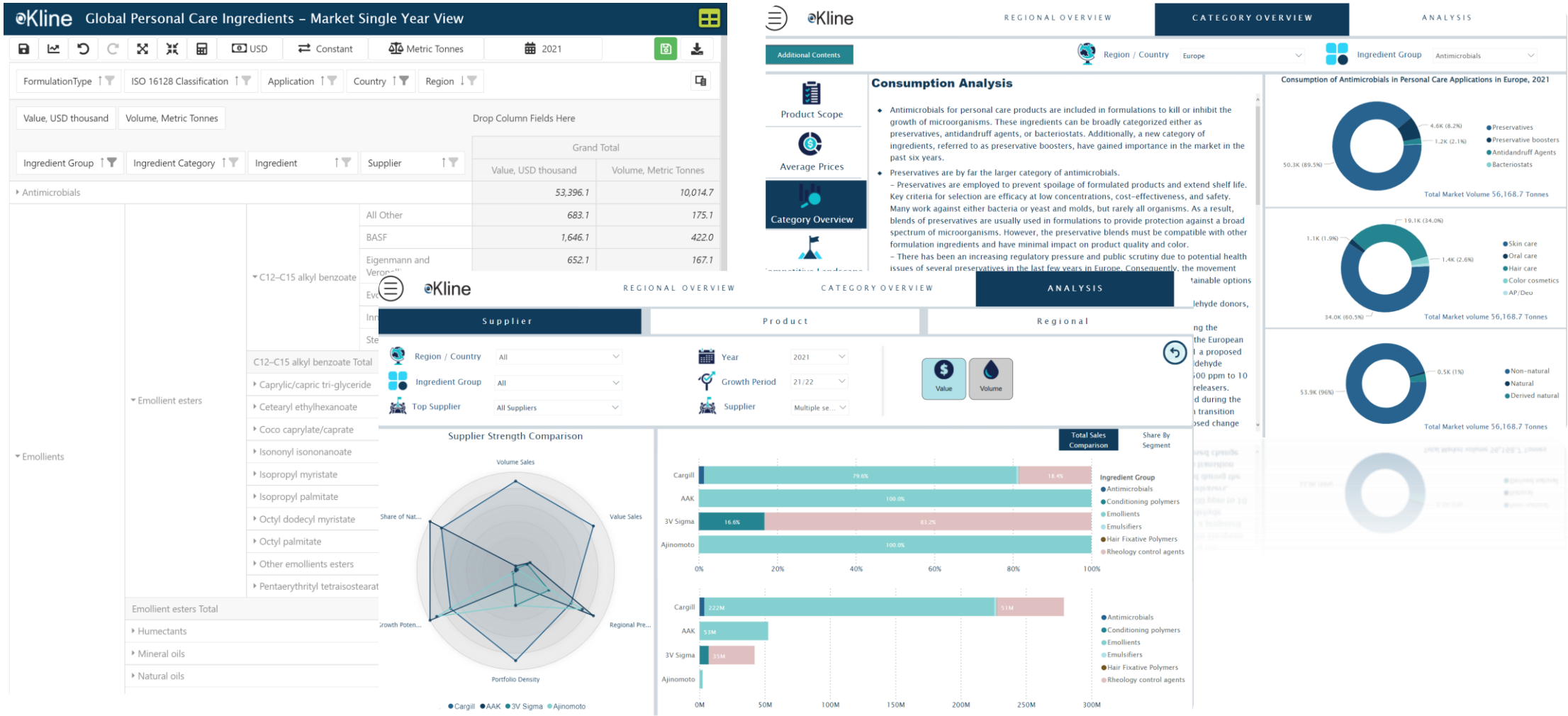
The database provides consumption volume, value, and price of each ingredient for the personal care market within each region from 2021 to 2026.

Ingredient	ISO 16128 Classification	Application	Formulation type	Supplier
About 250 ingredients	• Natural • Non-natural • Derived Natural	• Hair care • Skin care • Oral care • Color cosmetics • AP/Deo • Sun care • All other	• Leave-on • Rinse off	Multiple suppliers



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The new edition comes with improved deliverables.



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What make us different?



PRIMARY RESEARCH

Kline research leans heavily on a high number of in-depth interviews conducted for each report. Kline has attendance at trade shows and conferences.

We have local researchers fluent 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 is closely monitored.



BUSINESS INTELLIGENCE

Interviews and conversations with the main players within each field, together with our rigorous analyses and cross-checks, create insightful and comprehensive market intelligence.

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Specialty ingredients represent the largest growth potential within the personal care ingredients business => Focus of Kline's business

PERSONAL CARE INGREDIENTS MARKET

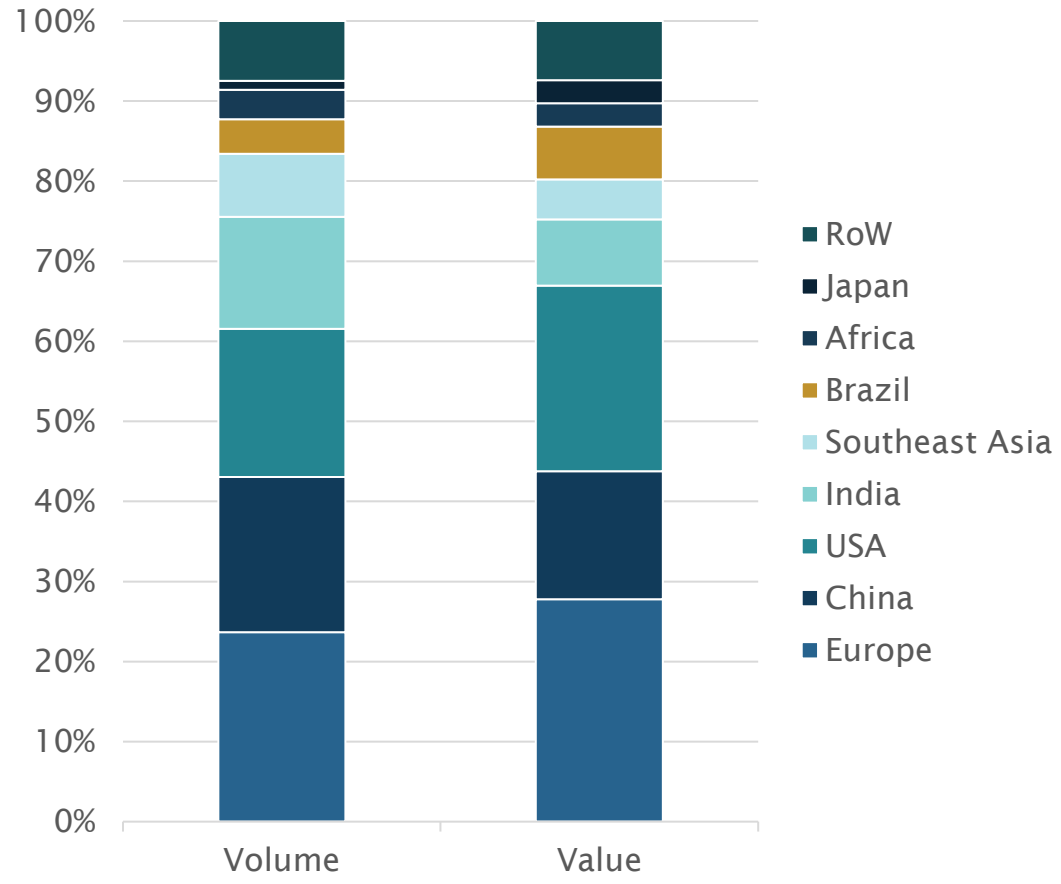


Basis for comparison	Commodities: sold to specification	Specialties: sold on performance	Active ingredient: Selling a concept
Average growth (CAGR)	Low	Moderate to high	High
Market and customer fragmentation	Low to moderate	Moderate to high	Moderate to high
Service and R&D intensity	Low	Moderate to high	Very high

Source: Kline's Personal Care Ingredients: Global Market Analysis

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While demand from Asian countries continues to grow, Europe and the U.S. remain key markets for PC ingredients.



- Europe, China, and the US lead the personal care ingredients market in terms of volume and value. These are the leading economies globally and also lead the demand for personal care ingredients.
- India has large demand for henna and coconut oil along with solvents leading to relatively higher share in volume.
- Japan imports a lot of semi-finished and finished products leading to low share in this industry.

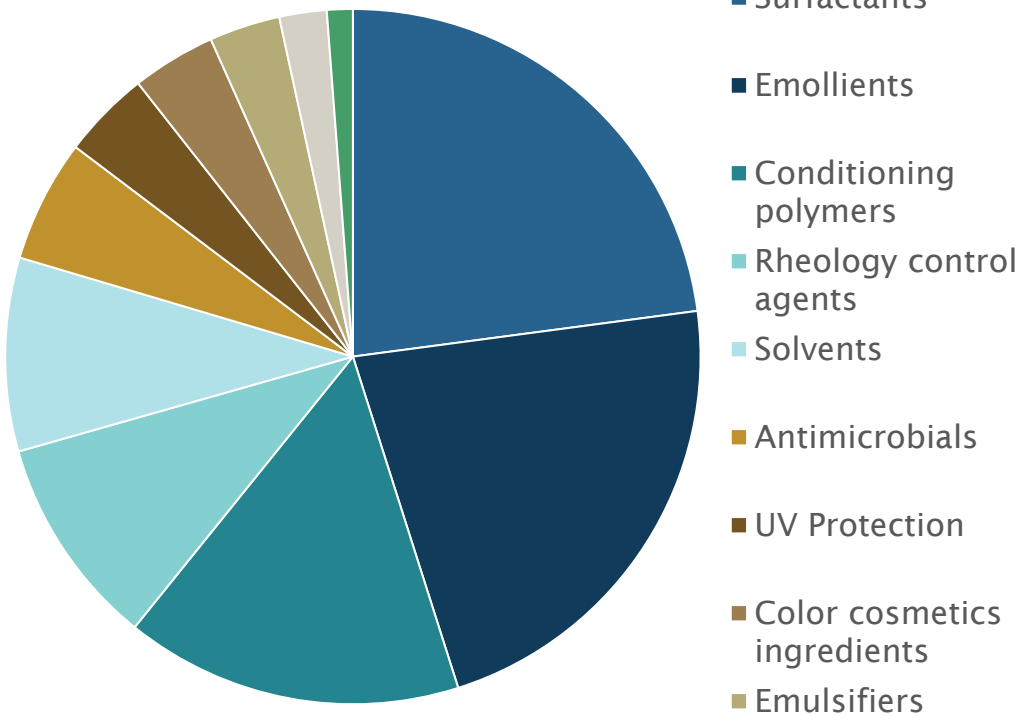
Source: Kline's Personal Care Ingredients: Global Market Analysis

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Emollients, surfactants, and conditioning polymers dominate the consumption in the PC industry.

- Solvents lead the overall consumption in terms of volume. This is mainly due to huge demand of solvents such as ethanol to produce hand sanitizers due to COVID-19. Solvents are low priced and therefore, have relatively lower share in value.
- Emollients and surfactants lead market consumption by value.
  - Emollients are used in large quantities in skin care and hair care applications, two leading personal care applications.
  - Surfactants are used across all personal care applications leading to their high demand.

DEMAND BY INGREDIENT GROUP, 2021



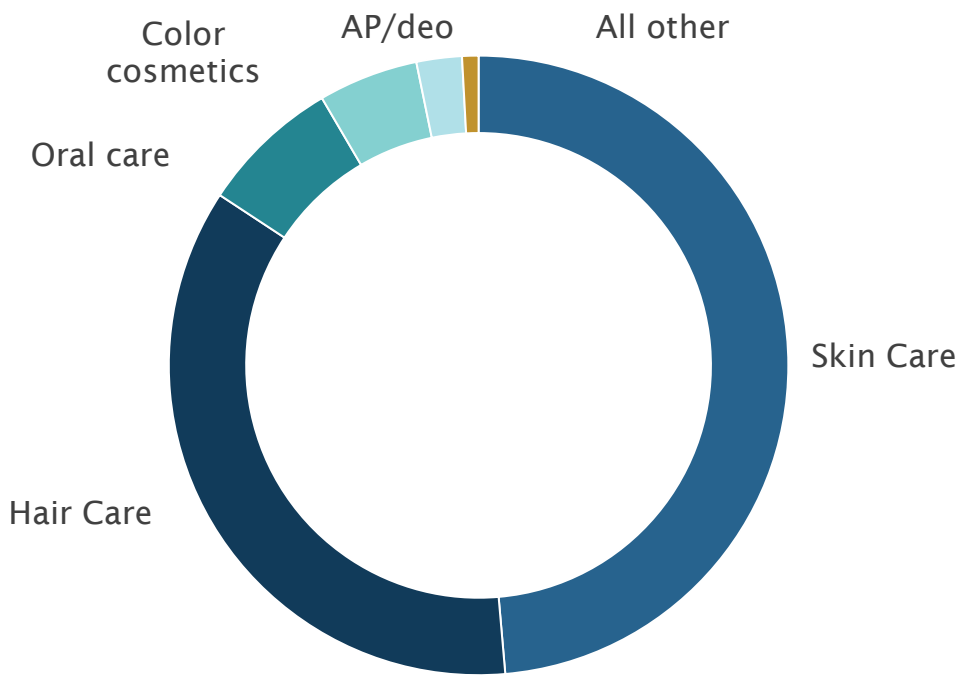
Total: USD 18.6 Billion

Source: Kline's Personal Care Ingredients: Global Market Analysis

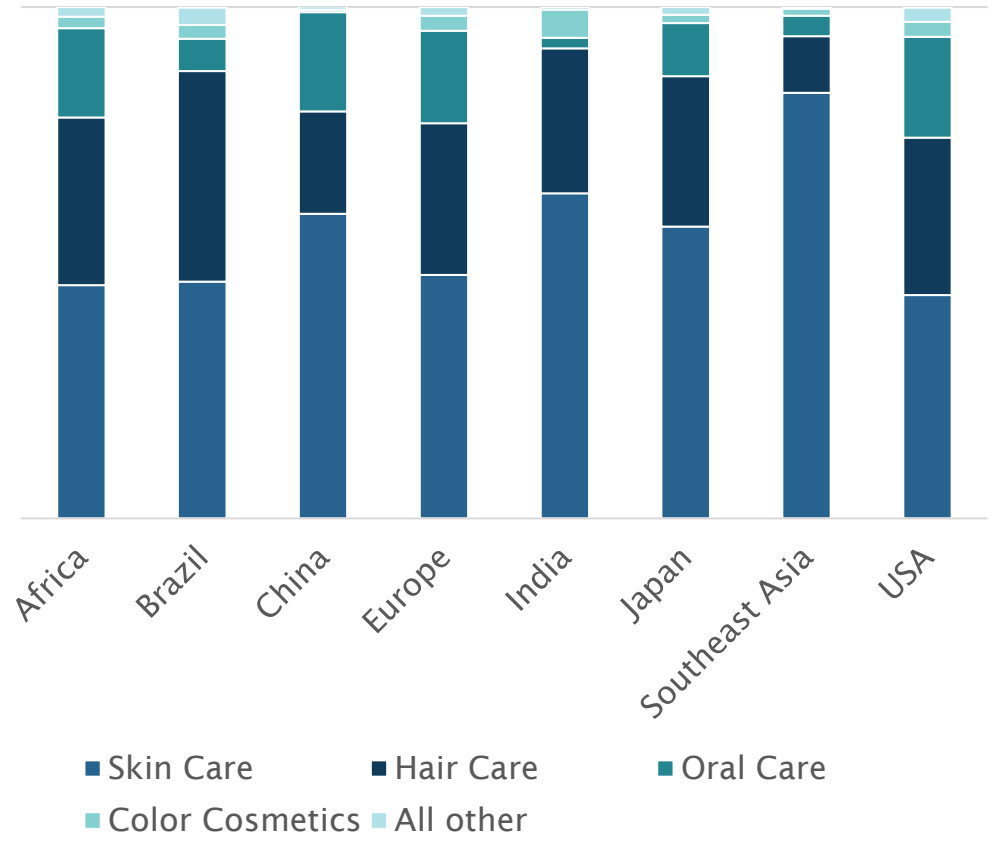
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Skin care and hair care are the two leading applications globally.

PERSONAL CARE INGREDIENTS DEMAND BY APPLICATIONS BY REGION, 2021



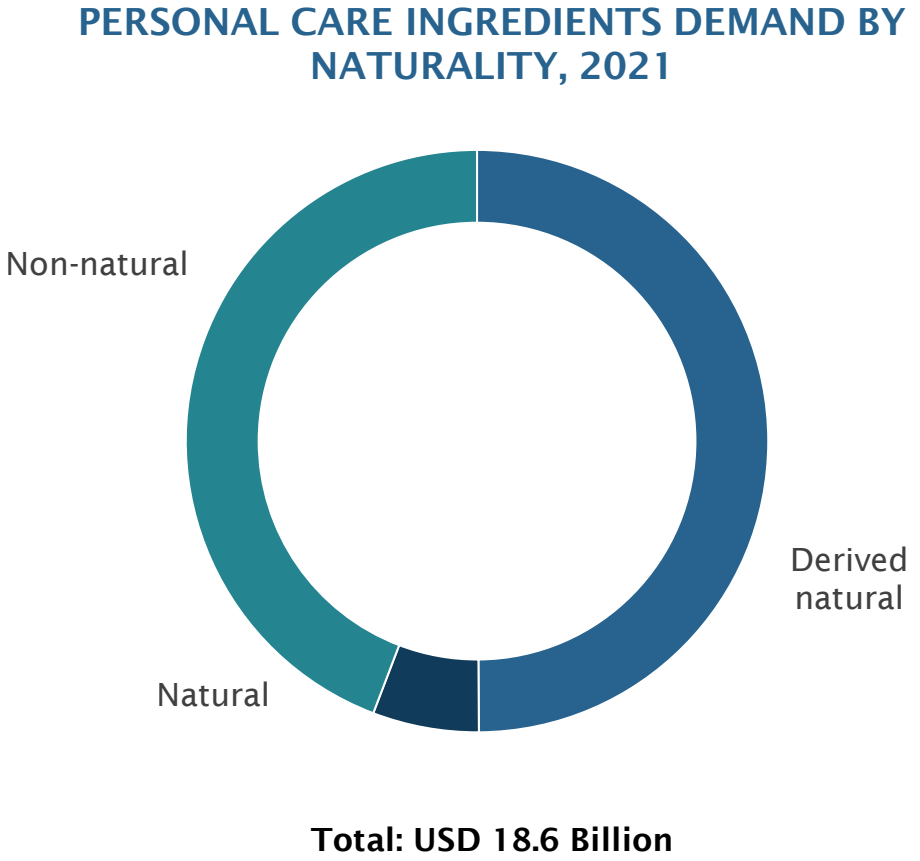
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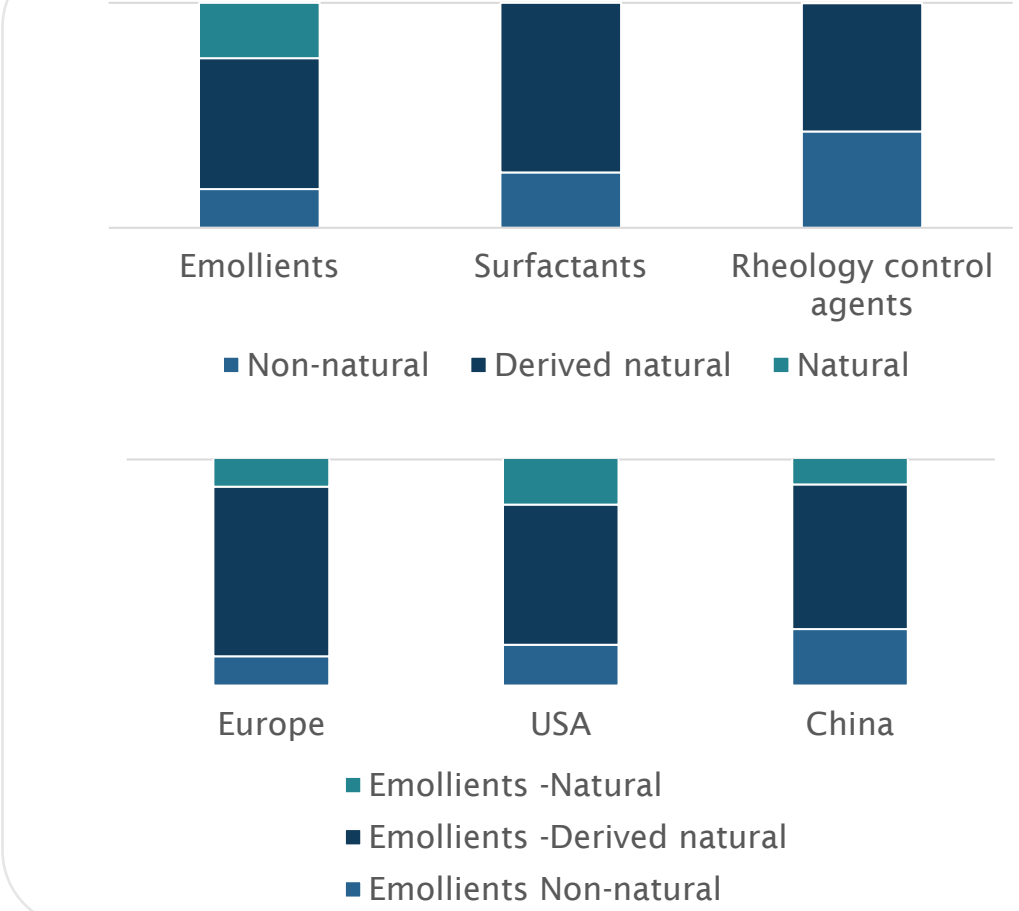


Source: Kline's Personal Care Ingredients: Global Market Analysis

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The ISO 16128 standard is being widely adopted in the industry.



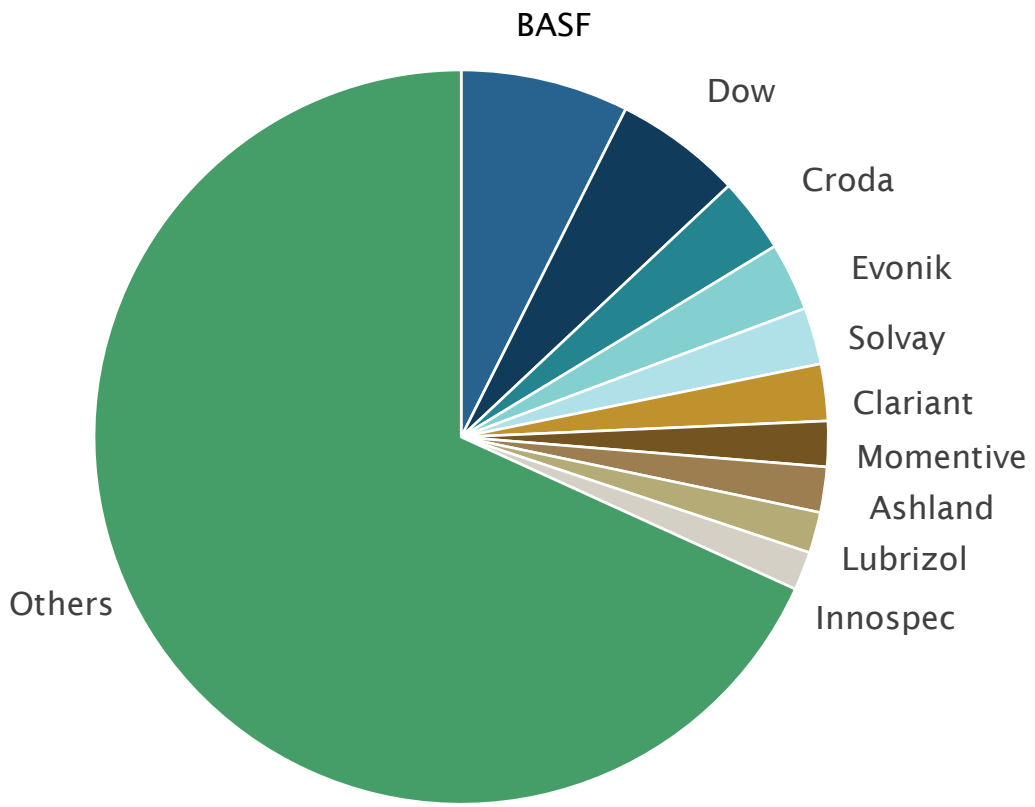


Source: Kline's Personal Care Ingredients: Global Market Analysis

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Regardless of multitude of acquisitions in the space over the last two decades, the competitive landscape remains extremely fragmented.

SALES OF INGREDIENTS BY SUPPLIER, 2021



Total: USD 18.6 Billion

- Supplier landscape is fragmented for personal care ingredients with no supplier having more than 10% market share.
- Top 10 represents only slightly more than 10% globally.
- Three types of companies: global leaders, product specialists, local suppliers
- Our database identifies about 300 players with USD 1million+ sales

Source: Kline's Personal Care Ingredients: Global Market Analysis

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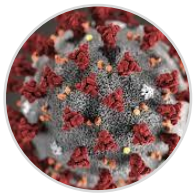
Leading suppliers vary from a category to another.

TOP SUPPLIERS OF PERSONAL CARE INGREDIENTS BY VOLUME AND INGREDIENT CATEGORY, 2021		
CATEGORY	TOP LEADING SUPPLIERS	AGGREGATED MARKET SHARE, %
Antimicrobials	BASF, LANXESS Energizing Chemistry, CLARIANT, iff	33
Conditioning Polymers	DOW, WACKER, MOMENTIVE	57
Emollients	ROQUETTE Offering the best of nature, Cargill, ADM, Tereos, CRODA	39
Surfactants	BASF, Stepan, CLARIANT, SOLVAY	35
UV Protection Ingredients	symrise, DSM, BASF, Galaxy Global Supplier to Global Brands	56

Source: Kline's Personal Care Ingredients: Global Market Analysis

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Key Trends and Outlook



COVID-19

- Reduced restrictions as COVID-19 subsides is expected to lead to strong growth in color cosmetics, sun care products, etc.
- The pandemic has changed certain lifestyle habits. For example, frequent handwashing and sanitization have become more important, driving growth for antibacterial soaps and wipes, and hand sanitizers. This is expected to continue driving growth for antimicrobial products.



Drive towards natural and sustainable ingredients

- Increasing regulations, limitations in use, advertising campaigns, and bad press about some traditional preservatives such as parabens and isothiazolinones are triggering their substitution toward ingredients that are considered milder, safer, and natural.
- For conditioning polymers, the industry continues to move toward natural or natural-derived ingredients, which will favor the use of ingredients such as Guar, Cassia gum, and proteins. Polyquaterniums are also under scrutiny as they all are synthetic.
- Similar trend is seen for emollients, surfactants, emulsifiers, rheology control agents, etc. This is also leading to shift away from animal derived ingredients such as animal proteins.

Source: Kline's Personal Care Ingredients: Global Market Analysis

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Key Trends and Outlook



Growing demand of multifunctional ingredients

- Demand for multipurpose products and ingredients is expected, especially in aging societies such as Japan and Europe. This is expected to drive demand for emollients that can also offer antioxidant and hydrating properties, such as squalane or hyaluronic acid.
- As 'new normal' is achieved after pandemic, experts believe consumers have a changed relationship with makeup products through this period. Many consumers have stopped the routine of doing their makeup on daily basis. Thus, many experts expect the new generation of product launches within the color cosmetic area will be hybrid types between skin care and makeup products, providing both skin care benefits and certain makeup effects in only one step.
- This also leads to lower formulation cost that is also driving the demand for multifunctional ingredients.



Cost increases

- The increased cost of raw materials and general shipping fees of raw materials and finished ingredients were caused by COVID-19. Although it is possible for costs to decline again in the future, most suppliers are currently unable to forecast the situation in Ukraine, and uncertainty around COVID-19.

Source: Kline's Personal Care Ingredients: Global Market Analysis

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Key Trends and Outlook



Shift towards local suppliers

- As shipping industry was impacted due to COVID-19, imports of ingredients became difficult. This provided an opportunity to local suppliers in countries such as India to offer ingredients to formulators.
- Further, as shipping remains affected further accentuated by high costs as crude oil prices has risen in the past few weeks, a shift towards local suppliers in various markets is expected to continue.



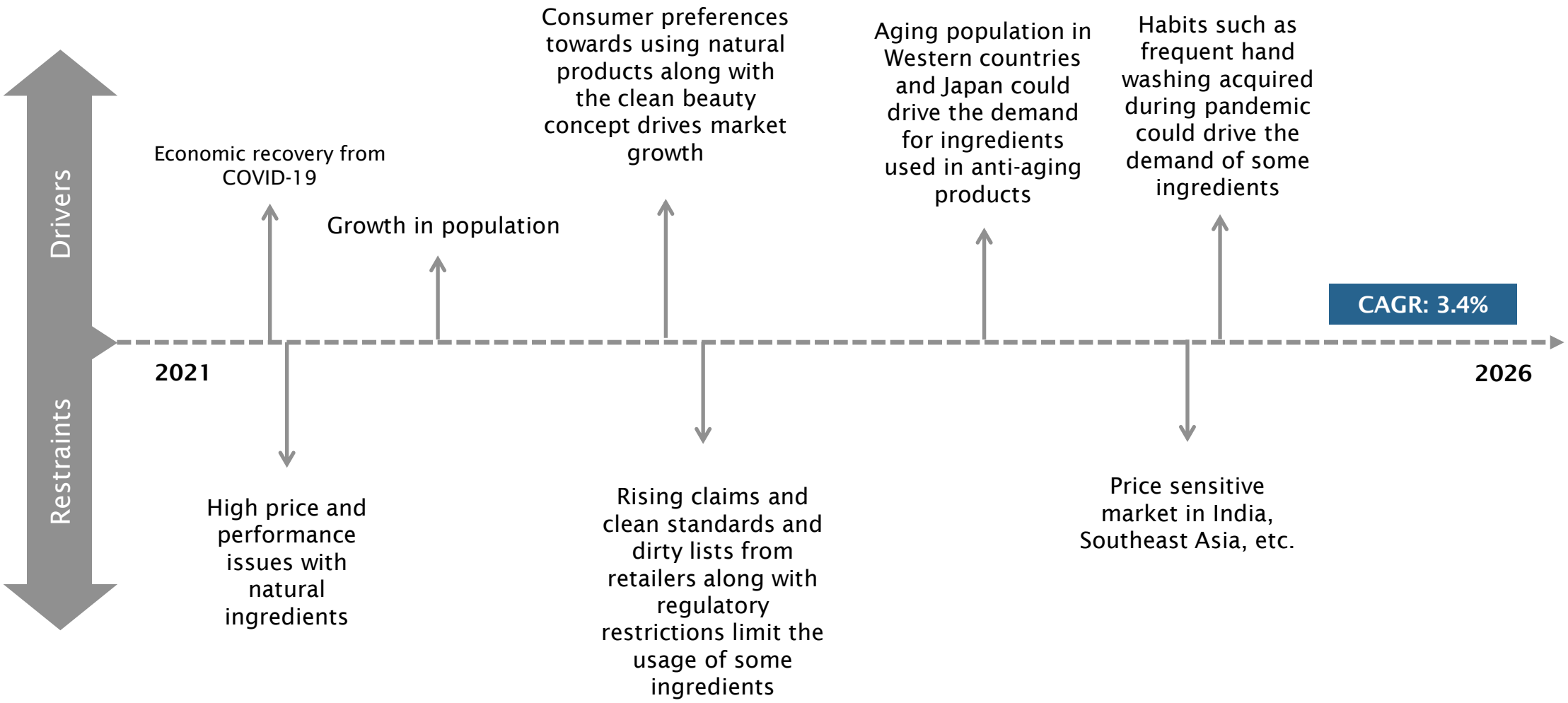
Inclusive beauty/natural look

- Inclusive beauty is a growing trend in regions such as Europe, with a wider choice of tints to match each type and shade of skin color.in only one step.
- The pre-pandemic natural looking and discreet makeup trend will continue in post-pandemic times, driven by the consumer habit of not using makeup anymore on a daily basis, acquired through the pandemic. This will be particularly true during the day, when people are working from home or from office, or attending a private official appointment.
- This trend is also seen in consumers looking for natural look in hair styles leading to reduced demand for hair fixative polymers.

Source: Kline's Personal Care Ingredients: Global Market Analysis

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Key Drivers, Restraints, and Forecast

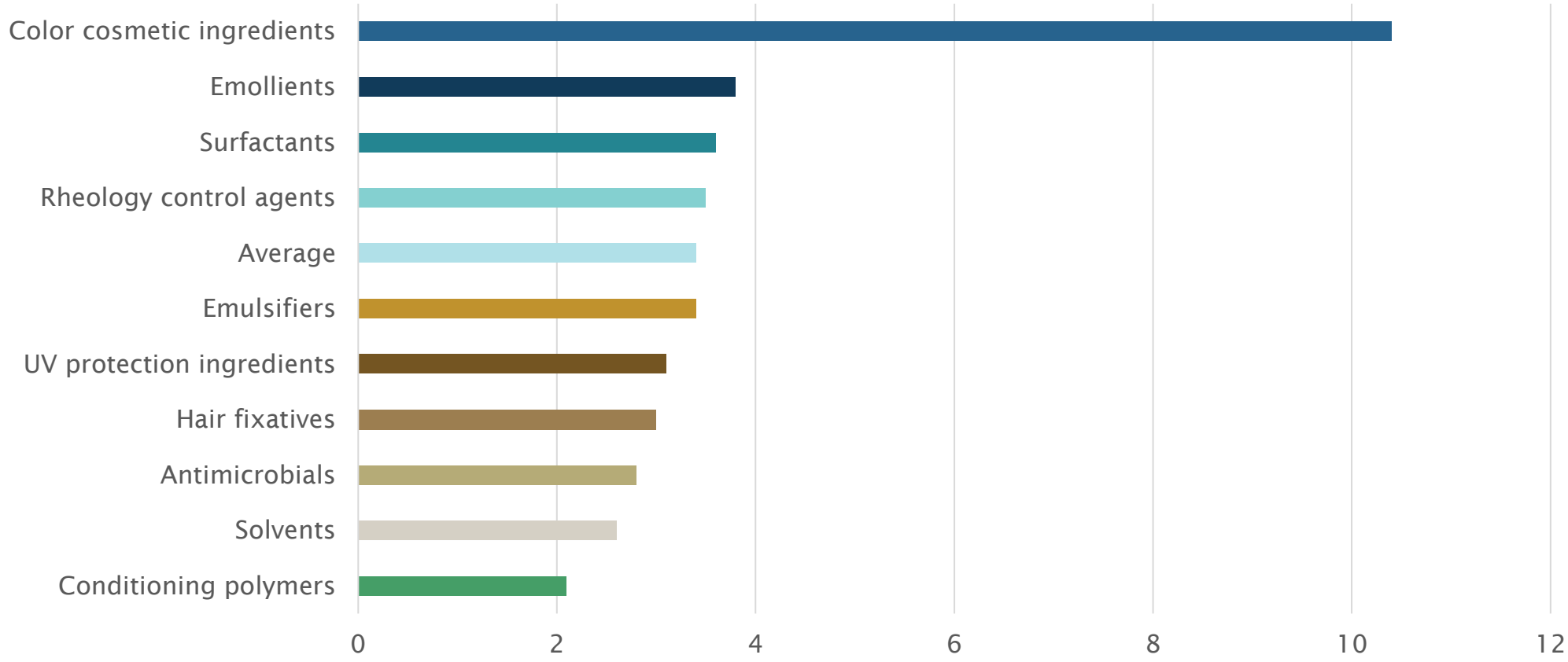


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Except color cosmetic ingredients, all ingredient groups are expected to grow at a rate between 2% and 4%.

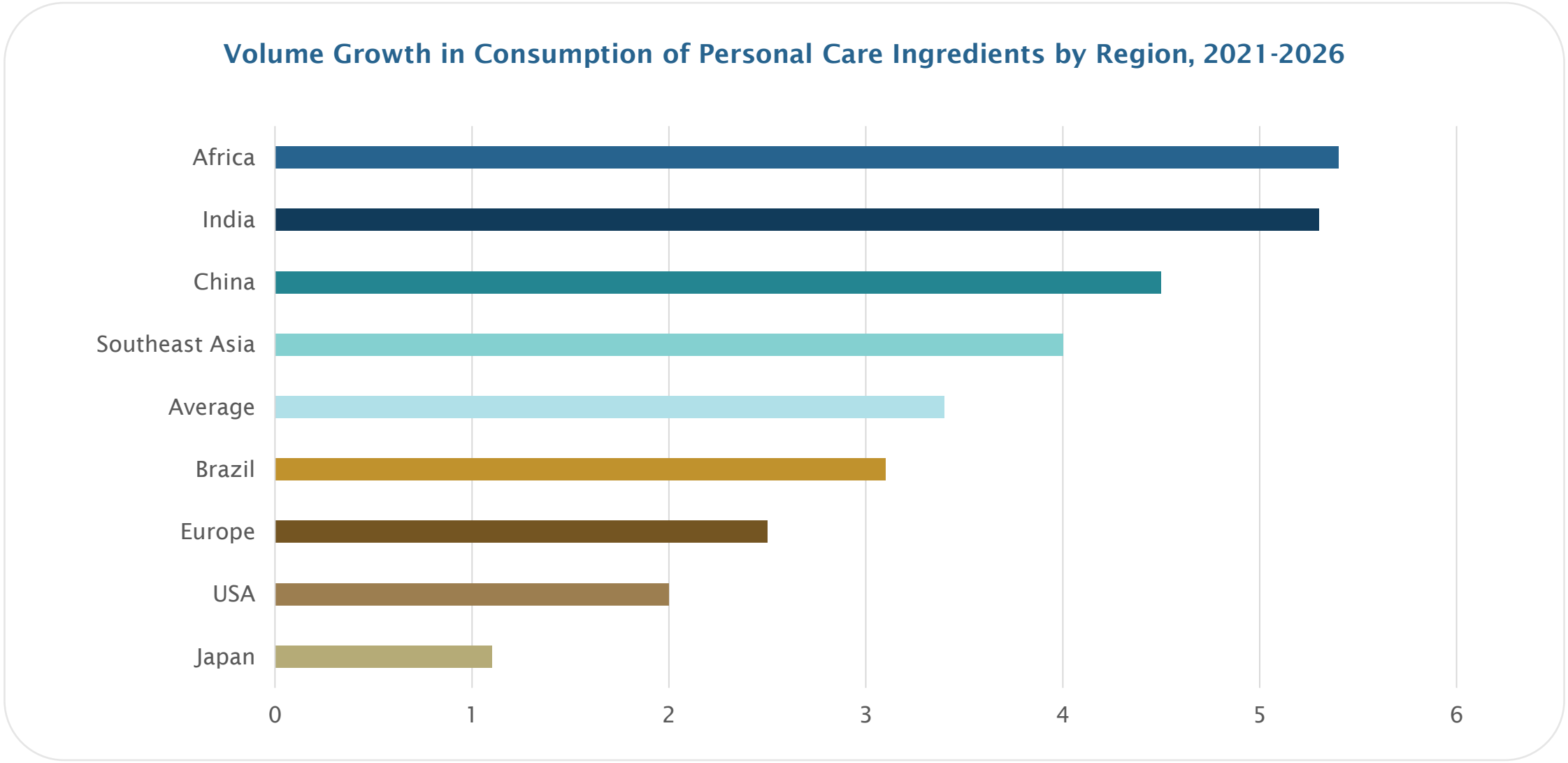
Volume Growth in Consumption of Personal Care Ingredients by Ingredient Groups, 2021-2026



Source: Kline's Personal Care Ingredients: Global Market Analysis

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Africa and India represent the largest growth potential countries globally.



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