



AMERICAS RETAIL



We were encouraged by the major progress we made towards entering the retailer brand baby diapers segment in the US. Another positive was that we took full advantage of the trend towards organic lifestyle products in the US feminine care market.”

ARMANDO AMSELEM
GENERAL MANAGER,
AMERICAS RETAIL

THE AMERICAS RETAIL DIVISION SUPPLIES A WHOLE RANGE OF BRANDED PRODUCTS TO MARKETS ACROSS THE AMERICAS FROM PRODUCTION PLANTS IN BRAZIL AND MEXICO, TWO OF THE TOP FIVE PERSONAL HYGIENE MARKETS IN THE WORLD.

PERFORMANCE

On a reported basis, overall revenue was 1% lower than last year while on a like-for-like basis it was up 4.5%. Excluding Brazil, reported revenue was up 3.8% and like-for-like up 9.5% largely following strong performances in Mexico in baby care and adult care, and accelerated sales in the US in baby care and feminine care, the latter on the back of the well-articulated organic lifestyle trend.

Seeds sown by earlier acquisitions began to bear fruit. It was always our stated intention to leverage Grupo Mabe (acquired in 2016) to explore opportunities to develop retailer brands in the US, the world's largest market by value. In the second quarter, we started to ship products to a major US retailer which is a significant milestone for our North American business.

In Brazil, we rapidly implemented a series of actions to rebase the business and rectify issues we had encountered post acquisition in 2018. We successfully consolidated the two manufacturing plants into one and added new proprietary technology to support future growth plans. We continued to engage with our consumers on innovation and enhanced the diaper range with the re-launch of a number of brands.

The progress to date, with sequential improvements made every quarter, indicates that this comprehensive turnaround plan is slowly but surely taking effect. A great deal of credit must go to the teams for their determination and tenacity that kept them highly motivated in a situation exacerbated by high commodity prices and foreign exchange headwinds. It is a good sign for the future.

STRATEGY

While we had to urgently address the issues in Brazil, our strategy to be the clear Number 3 player in the region in personal hygiene products is unchanged. We also remain focused on our plans to boost profitability in Mexico and Brazil, exploit growth potential in North America and improve our supply chain.

MARKET OVERVIEW

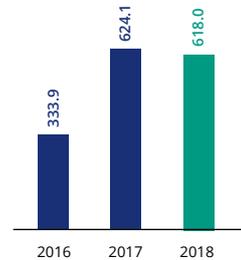
Volumes in the diaper market are declining by about 3-4% in Brazil, Mexico and the US driven by lower birth rates. In value, it is declining by about 1% as new innovations in both products and sales channels gain traction. Even though competition was stiff, we managed to largely maintain market share in Mexico and we will continue to support local retailers and key players in all regions. The incontinence market is still growing in line with an ageing population.

OUTLOOK

The Americas retail business is fundamentally stronger than it was two years ago. When foreign exchange and commodities return to more predictable patterns, the business will be on a very healthy footing to fully benefit from the change.

REVENUE¹

€618.0M



1. Starting 2017, IFRS 15 has been applied.

KEY MARKETS



MARKET VALUE

BABY CARE
78%



ADULT CARE
16%



FEMININE CARE
5%



OTHER
1%



CONSUMERS ARE INCREASINGLY CONCERNED ABOUT THE PRODUCTS THEY USE – THEIR SAFETY AND THE POTENTIAL IMPACT THEY MIGHT HAVE ON THE ENVIRONMENT

INNOVATION MEETS ORGANIC

We saw a strong shift towards organic products in 2018. We are one of the leaders in organic hygiene products in the US. A percentage of our products are made specifically for environmentally-aware consumers looking for natural care and comfort without compromising on protection. Our use of chlorine-free fluff, fast degrading materials and biodegradable tampon applicators are some of the examples that are helping to drive our growth in this niche.