

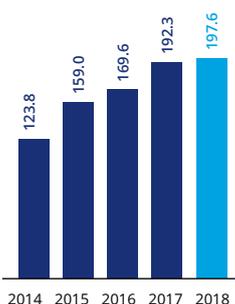
GROWTH MARKETS



“Growth Markets again lived up to its name in 2018. Higher volumes and a positive price/mix meant that growth was materially ahead of the underlying market. This successful transformation story that started in 2014 is a result of clear strategic choices, amazing people and very hard work.”

THIERRY VIALE
GENERAL MANAGER,
GROWTH MARKETS

REVENUE¹ €197.6M



1. Starting 2017, IFRS 15 has been applied.

THROUGH OUR GROWTH MARKETS DIVISION WE SUPPLY RETAILER AND ONTEX BRANDS TO DEVELOPING AND EMERGING MARKETS. BABY CARE ACCOUNTS FOR MOST OF OUR SALES BUT WE ARE GROWING IN ADULT AND FEMININE CARE.

PERFORMANCE

Growth Markets posted another strong performance in 2018 in the VUCA environment of emerging markets. Input costs remained high and currencies volatile. We also encountered aggressive use of price and promotions by major baby care suppliers as well as more and more competition from local producers.

Revenue on a like-for-like basis grew 9.5% across most geographies and categories. On a reported basis revenue grew 2.7%.

Recent investment in local production facilities to meet market demand in the fast-growing baby pants category (which now accounts for the greater share of

the baby care category in Russia) yielded good returns. This focus on localization – also manifested by our plant in Ethiopia – has streamlined our supply chain and increased our flexibility. Together with Ontex’s experience in retailer brands, and the differentiating qualities of our agile organization, these were key to market outperformance.

We saw good growth in adult care driven by the launch of our iD range of incontinence products. In feminine care, we launched the NAT range (see page 30) as well as organic tampons on the main e-commerce platform in China to meet the trend among Chinese consumers for organic products from Western Europe.

MARKET VALUE

BABY CARE

64%



FEMININE CARE

5%



ADULT CARE

29%



OTHER

2%



STRATEGY

Our strategy is to combine the experience of operating in Western Europe with our deep knowledge of the drivers of customers and retailer brands, and apply them to new markets to drive sustainable, profitable growth. The choices are extremely clear and simple to communicate and deploy, and we remain laser-focused on execution with excellence.

MARKET

The markets are flat to declining in value in our major markets due to a combination of a slowdown in birth rates as well as the aggressive stance of the large international brands in their efforts to gain a firm foothold in these markets and the stiff competition from local brands as well as other retailer brand manufacturers.

OUTLOOK

We have invested in capacity and will now maximize that capacity. We will continue to screen markets especially in sub-Saharan Africa and the rest of the world and seed them for future growth. Our consumer panel testing is key in this respect. While some needs, such as absorption and dry performance in diapers, are universal, others such as thickness of diaper may differ, and this is where our unremitting focus on understanding consumer needs enables us to adapt. Successfully managing the trade-off between what customers want and the operational complexity at our plants is one of the reasons why our Canbebe brand has grown in Ethiopia and why our organic products are developing fast in China.

KEY MARKETS



ETHIOPIAN ORPHANAGES BENEFIT FROM CHARITY CAMPAIGN

STRIVING FOR A BETTER FUTURE TOGETHER

We want to provide all babies with the opportunity to grow up with integrity. In 2018, in collaboration with the Ministry of Women & Children Affairs and the Addis Ababa City Government Women & Children Affairs Bureau, we donated 1,800 packs of diapers and baby food worth € 37,000 (1.2 million Ethiopian Birr) to four Ethiopian orphanages. Ontex had earlier committed to donate diapers to a number of selected baby care homes for every jumbo pack purchased between mid-July and mid-September. The initiative was backed by a strong television campaign for Canbebe featuring Meseret Defar, the Ethiopian world champion athlete and Canbebe brand ambassador. It also received encouragement from the new prime minister of Ethiopia and his ministerial officers as they endeavor to build a better future for the country. The donations received full press and social media coverage to inspire others to follow in Ontex's footsteps.