

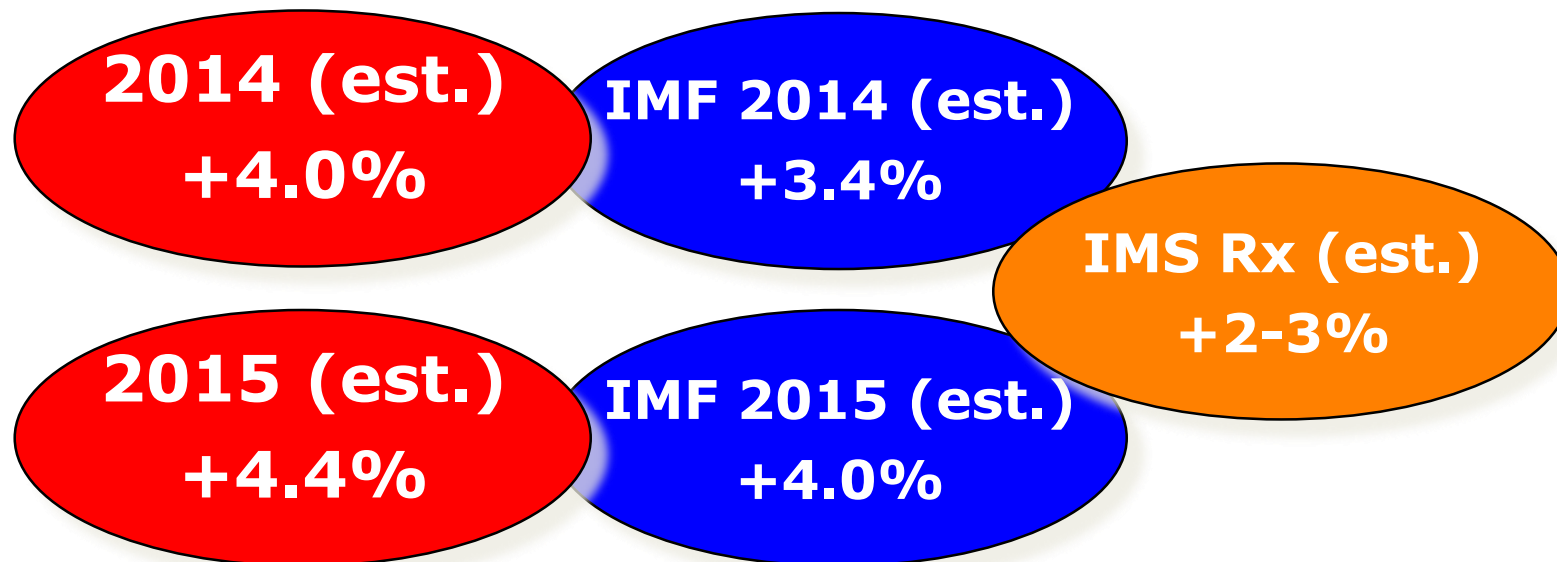


Asia-Pacific OTC Market: Trends & Proposals for Further Growth

***Nicholas Hall
Chairman & CEO
Nicholas Hall Group of Companies***

Global OTC Market 2009-15

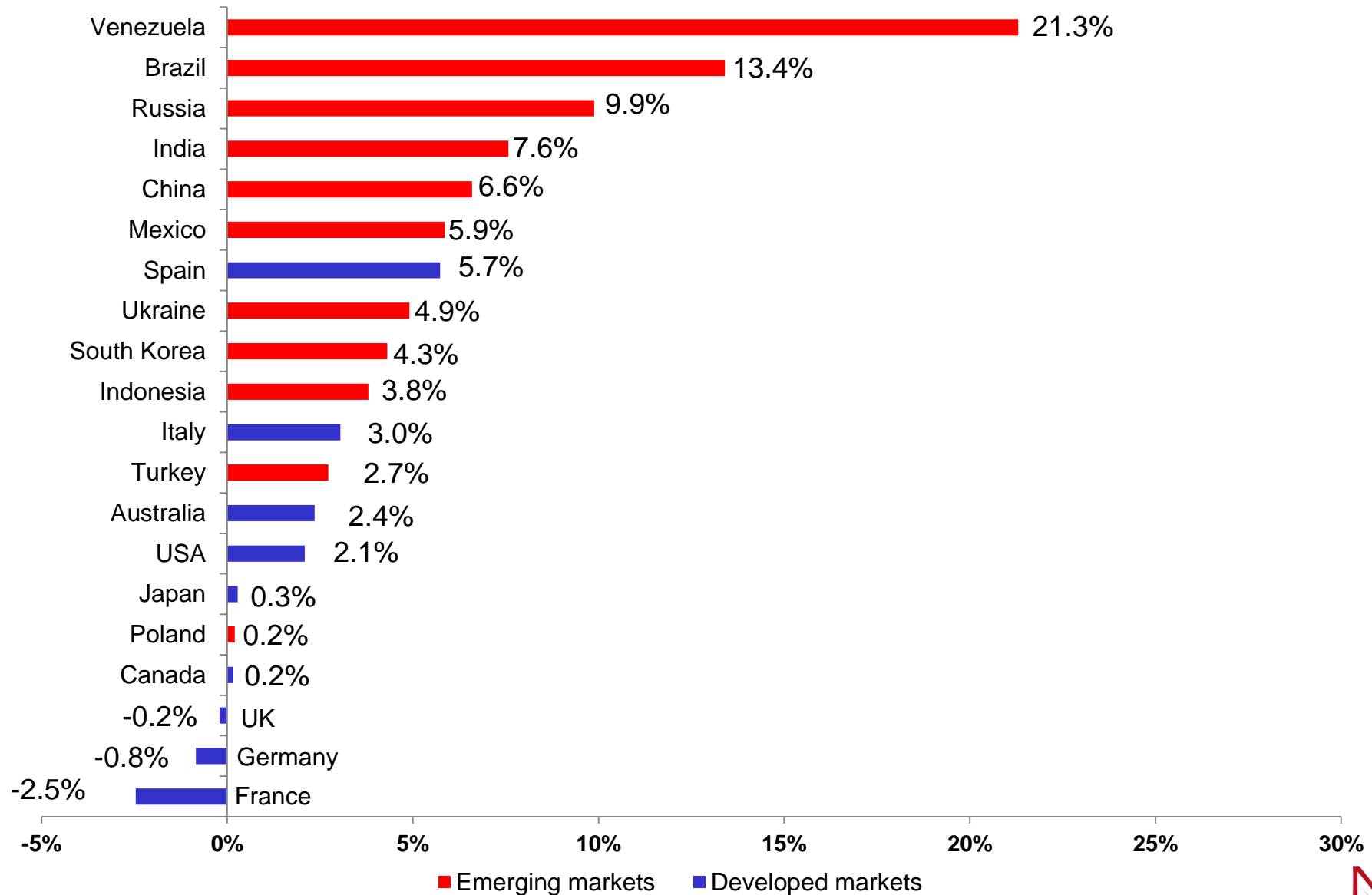
2009 \$105.8bn +5.5%	2010 \$109.8bn +3.8%	2011 \$114.4bn +4.2%	2012 \$118.8bn +3.8%	2013 \$124.4bn +4.7%
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1/1/2014 exchange rates, LCUS\$ MSP

Developed Markets Rallied in MAT 06/14

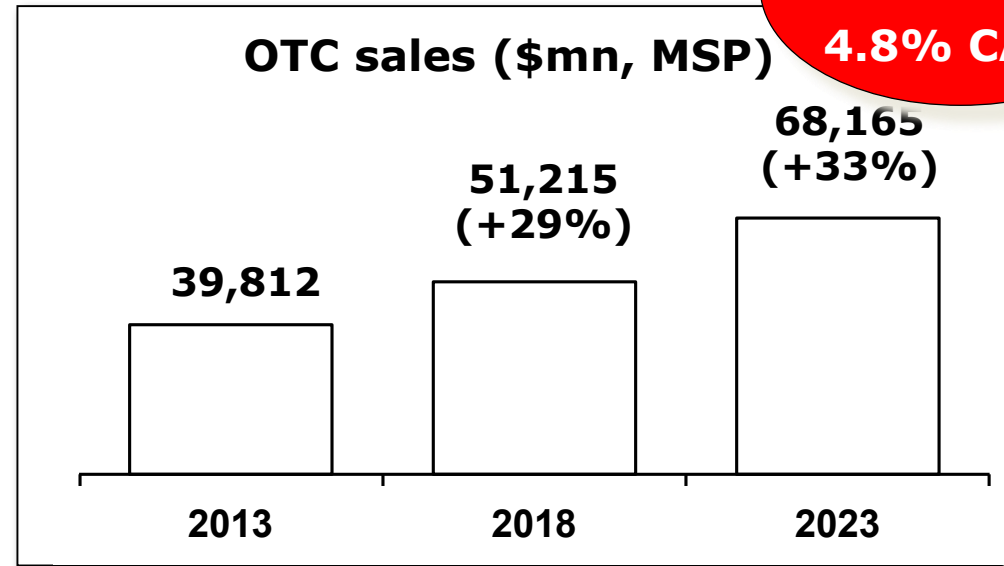
Change in OTC sales MAT 06/14 vs 06/13, %



Asia-Pacific OTC Market Facts

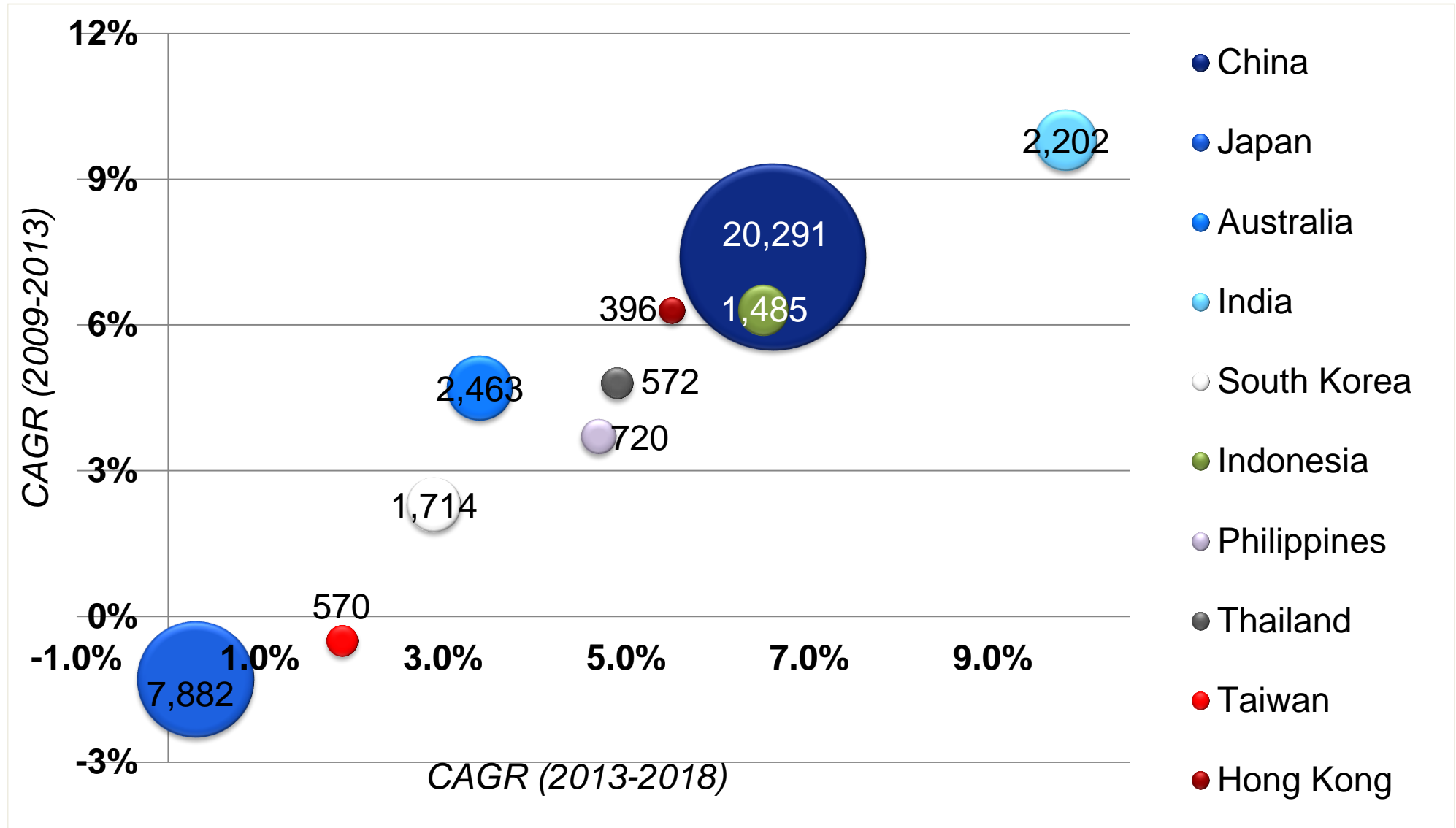
#2 region
32% of total
4.8% CAGR

- Good growth because of strong economy & increasing consumer awareness of self-care



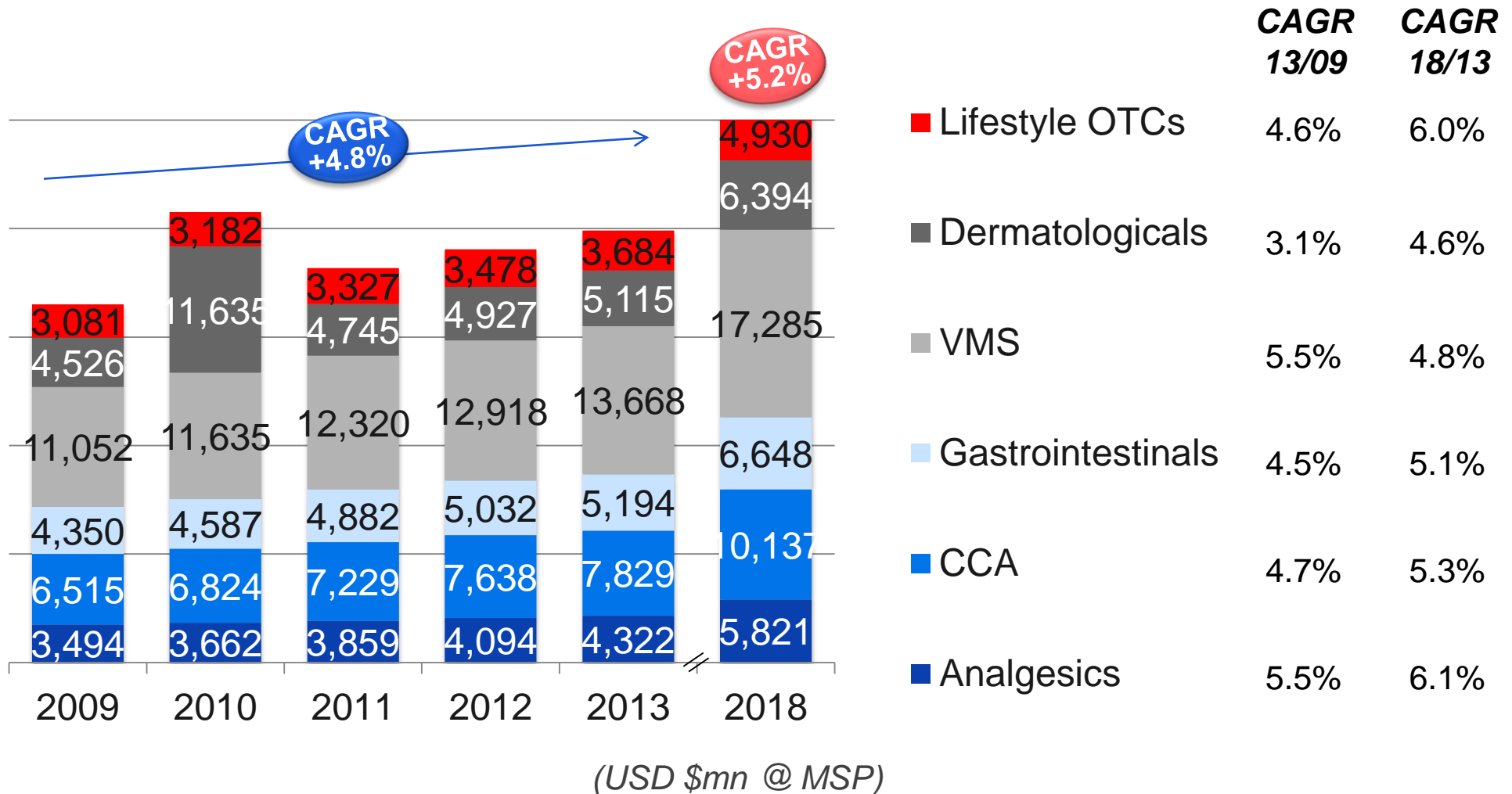
- ✓ **China** remains biggest market, but slowing growth
- ✓ Cost of entry high, regulatory approval slow – M&A almost only route of entry
- ✓ **Japan** optimistic & many launches; OTC market will grow with internet sales
- ✓ **ASEAN** market increasing but pricing & distribution remain challenge
- ✓ **India** very disappointing (+5.8% in 2013) and per capita spends still low
- Reregulation, few switches, limited M&A opportunities, generic / fake competition
- Continued preference for TCM, *Jamu*, traditional remedies

Top 10 Asia Markets Attractiveness



Bubble size: 2013 Sales (USD \$mn @ MSP)

Asia: Leading Categories 2013



15 Countries: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam

Market Movers: AP Climbers MAT Q1 2014

1. JAPAN – Voltaren (Novartis) up 195% to US\$24mn (topical analgesics)

Growth boosted by launch of Voltaren EX

2. JAPAN – RiUP (Taisho) up 12% to US\$148mn (hair loss treatments)

Sales boosted by consumers stocking up prior to April 2014 consumption tax hike

3. AUSTRALIA – Swisse (Swisse Wellness) up 10% to US\$134mn (VMS ranges)

Continuous investment in NPD and A+P has boosted sales

4. AUSTRALIA – Panadol (GSK) up 14% to US\$83mn (systemic analgesics)

Addition of Optizorb technology to Panadol Extra has driven growth

5. JAPAN – Loxonin S (Daiichi Sankyo) up 24% to US\$40mn (systemic analgesics)

Strong A+P message about headache and menstrual pain and different ingredient (loxoprofen) from rivals has kept growth strong

Source: **DB6 2014** Market Movers

Market Movers: AP (exc Japan) Climbers MAT Q1 2014

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3. INDONESIA – You C1000 (Djojonegoro) up 23% to US\$30mn (single vitamins - C)

Drink format helps You C1000 stand out from other vitamin C brands. A+P focusing on beauty and featuring celebrities boosts sales

4. AUSTRALIA – Cenovis (Sanofi) up 18% to US\$25mn (multivitamins)

Sales have risen thanks to line extensions for children and adults in innovative formats

5. INDONESIA – Curcuma Plus (Soho) up 16% to US\$25mn (multivitamins)

Frequent updates including line extensions and revised packaging has driven growth

Source: **DB6 2014** Market Movers

OTC in Asia-Pacific: Trends & Proposals (1)

1. OTC growth rates falling in China, Asia-Pacific – region still large, expanding & exciting, but we will have to work harder to outperform market
2. With few exceptions, old business models no longer working effectively – we must find new consumers, sales distribution points & marketing strategies
3. Emerging middle class key to success; but it's more than “shopaholics”
4. China, Japan & other markets ageing fast – future success depends on establishing need states in three discrete blocs (55+, 70+ and 85+) & precisely positioning dedicated brands
5. Women & men are neglected demographics – except for children, OTC industry relates to consumer audience in very general terms.



OTC in Asia-Pacific: Trends & Proposals (2)

6. Regulatory hurdle high – few successful switches
7. Highly attractive adjacent categories (nutritionals / functional foods, medicated skincare, medical devices, home diagnostics) but FMCG players better at penetrating these sectors than OTC companies
8. Mass advertising increasingly unaffordable – look at alternative media, including internet & social media



9. OTC companies backwards in adopting social media, unlike FMCG companies, but fear of discovering adverse events can be managed successfully

OTC in Asia-Pacific: Trends & Proposals (3)

10. E-commerce underutilised; e-pharmacy could account for 20-25% of regional consumer healthcare sales within 5-10 years
11. Pharmacy bedrock of OTC in Asia-Pacific but new Key Account Management / Pharmacy Point-of-Care programmes needed to help independent pharmacies & small chains survive in highly-competitive retail world
12. Investigate other distribution, especially vast multi-level marketing / direct sales sector – dominates VMS in Asia-Pacific & will impinge on OTC market



OTC in Asia-Pacific: Trends & Proposals (4)

13. Medical marketing vital for most OTCs, but doctor detailing generally inappropriate – emphasise ethical heritage wherever possible, create links to KOLs & turn pharmacists / other HCPs into brand ambassadors
14. BRICs important but other attractive regional markets include Indonesia (world's 4th largest population) & Indochina; Myanmar next to open up but we must act fast to create strong position vs local players / generics
15. Asia-Pacific can grow double digits in next 10 years but only with complete revalidation of consumer needs & brand touch points



Bayer Aspirin "Check your Heart's Health" Campaign S Korea 2009

OTC is a hybrid business model ...

not pharma, not FMCG

OTC is UNIQUE

BUT LOOK BENEATH THE SURFACE



***Thank You
& Good Fortune!!***

Nicholas @ NicholasHall.com

OTC Definition: Inclusions

- Registered medicines sold w/o prescription
- Rx semi-ethicals
- Medicated confectionery
- Unregistered natural & herbal remedies
- Branded TCM, jamu & ayurvedic medicines
- OTC homoeopathic remedies

OTC Definition: Exclusions

- Dietetics (artificial sweeteners, baby & invalid foods, slimming aids, etc.)
- Most toiletries (oral care, skin care, hair care) except registered products & acne remedies
- Plasters, bandages & dressings
- Contraceptives
- Home diagnostics

OTC Definition: Sales Values

- Data is at ex-factory prices (MSP) & excludes sales tax
- Historical data & forecasts include inflation