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MANAGEMENT CONSULTANTS

SEMPORA MARKET REPORT

EU self-medication

May 2020

Content:

Highlights

Key insights on commercial trends and developments in the EU self-medication market

- Benefitting from strong tailwinds, the **EU self-medication market**[1] is characterized by **continuous growth** (projection: 3.0% p.a. until 2024) and is expected to reach a **market size of € 39.1 bn by 2024**
  - **Ageing populations** across Europe with **high spending levels in pharmacies** foster growth of self-medication markets
  - An **increasing health-awareness** in the population drives the personal **responsibility for health issues** and thus **fuels self-medication**
- The global focus on **"natural products"** and **"conscious consumerism"** also translates into pharmacies, particularly the Non-Rx market segment
  - **Chemical-free Non-Rx products grow stronger** (+4.8%) than chemical Non-Rx products (+2.7%) between 2015 - 2018
  - The **chemical-free Non-Rx market** is expected to further **accelerate its growth** over the next years
  - This **also holds true** for **natural Non-Rx pain medications** – especially the **segment of chemical-free systemic pain remedies** shows dynamic long-term growth

1 Country definition: DE, FR, IT, ES, BE, AT

Regulatory definitions and environments

All analyses in this report are based on the following definitions of pharmacy products:

Regulatory definitions of pharmacy products[1]

Rx MEDICINES

- **Medicinal products subject to a physician's medical prescription** (prescription-only drugs)
- **Exclusively distributed via pharmacies**

NON-Rx PRODUCTS[2]

- **Non-prescription bound healthcare products** (prescription not required) **distributed via pharmacies** for the **purpose of self-medication,** i.e.:

1. **OTC[3] products:**
   - Pharmacy exclusive **medicines** (e.g. Aspirin, Sinupret)
   - Non-pharmacy exclusive **supplements** (vitamins & minerals, e.g. Biolectra, Orthomol)
   - Non-pharmacy exclusive **medical devices** (e.g. Hylo Comod, GeloRevoice)
2. **Personal Care Products (PEC):**
   - Non-pharmacy exclusive **cosmetics** and **skin care** (e.g. Eucerin, Vichy)
   - Non-pharmacy exclusive **cosmetic supplements** (e.g. Elasten, Fulminan)

1 Regulatory status might differ slightly across European countries
2 excl. PAC ≙ Patient Care (e.g. test strips, lancets, bandages) 3 Over-the-counter

European markets for pharmaceutical products vary significantly with respect to their regulatory environments

Regulatory environments

	Germany	France	Italy	Spain	Belgium	Austria
OTC medicines pharmacy exclusivity	✓	✓	⊘	✓	✓	✓
Distance selling of Rx products	✓	⊘	⊘	⊘	⊘	⊘
External ownership	⊘	⊘	⊘	⊘	✓	⊘
Pharmacy chains	⊘	⊘	✓	⊘	✓	⊘
Multiple pharmacy ownership	✓ max. 4	✓ max. 4	✓	⊘	✓	⊘
Territory distribution rules	⊘	✓	✓	✓	✓	✓
Number of pharmacies[1] (in k)	**19.4**	**21.8**	**18.6**	**22.0**	**4.8**	**1.3**
Inhabitants (in m)	**82.8**	**67.0**	**60.5**	**46.7**	**11.4**	**8.8**

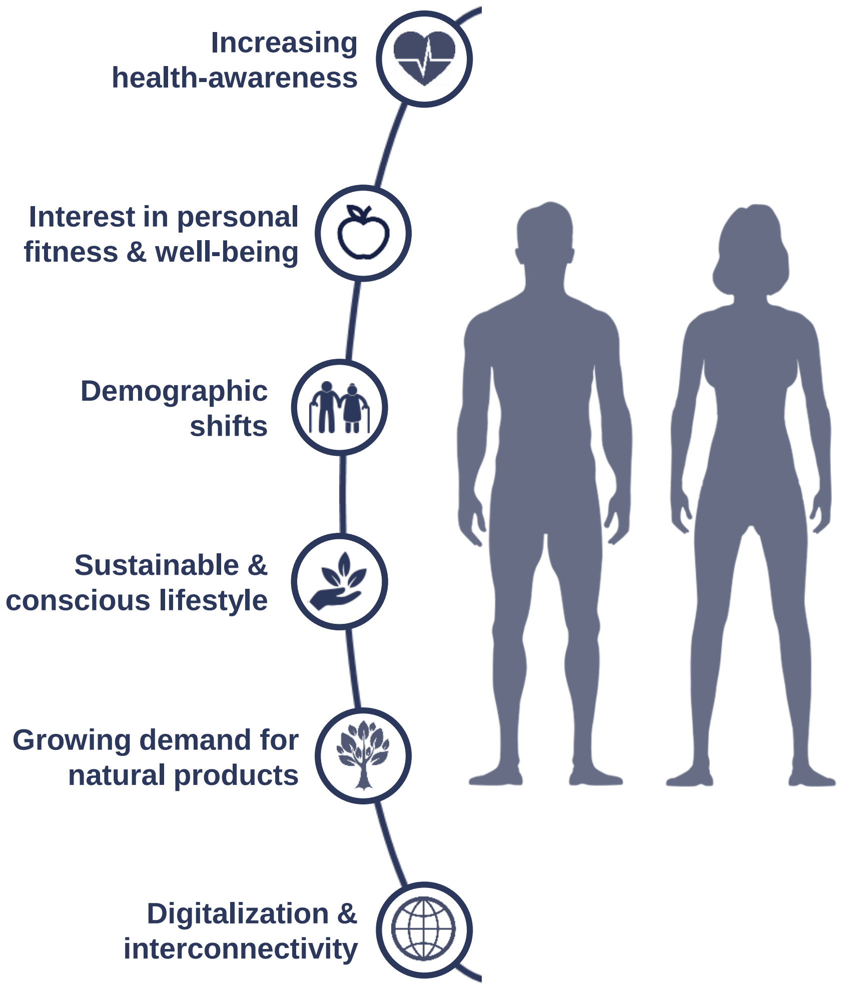
- In most European countries **Non-Rx pharmaceuticals** are still **exclusively sold in pharmacies**
- While **online sales of Non-Rx** products are generally **permitted, distance selling of Rx products** is **still restricted** in most nations
- **Pharmacy coop groups** and **micro pharmacy chains** typically play an important role in **less liberal markets** in which pharmacy chains are not permitted
- More than **87.900 pharmacy outlets** serve as **points of sale**
- The **European markets** comprise more than **277 m people**

Source: SEMPORA Research 1 BE, DE & ES in 2018 ; AT & FR in 2015; IT in 2016

Trends and Market Development: EU

A variety of global consumer mega trends fuel the dynamics and the attractivity of the market for self-medication products (Non-Rx)

Impact of consumer mega trends on self-medication

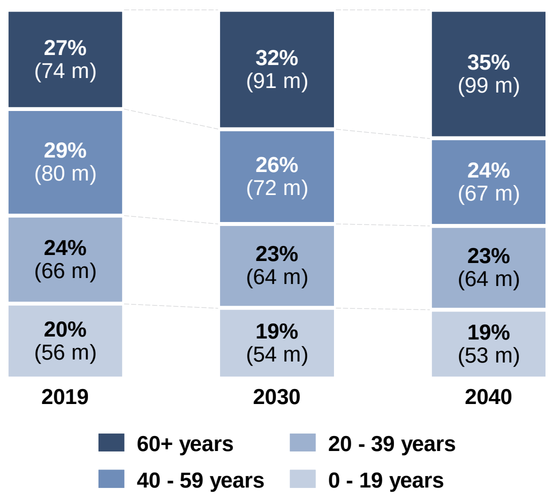


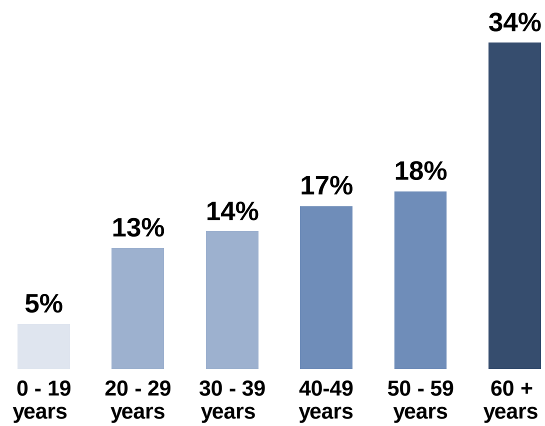
- **Higher average life expectancy** and an **ageing population** lead to an **increased pharmaceutical demand**
  - more years of consumption
  - over-proportional need for medication
  - chronification of diseases
- Stronger perception of **personal responsibility for health issues** and a **growing interest** in an **active prevention of diseases** further **drive self-medication** (esp. reoccurring usage)
- Higher levels of **health literacy** due to **access** to a wide range of **health information** (platforms, social media, etc.) result in **more demanding** and **conscious consumers**
- The **pursuit of sustainability** and the **desire** of an **enhanced well-being** result in a **growing demand** and a **higher willingness to pay** for personal healthcare, especially for **products with natural ingredients**
- A global focus on “Conscious Consumerism”, environmental concerns and a **move away from chemicals towards more ‘natural’ products** also translates into the self-medication market

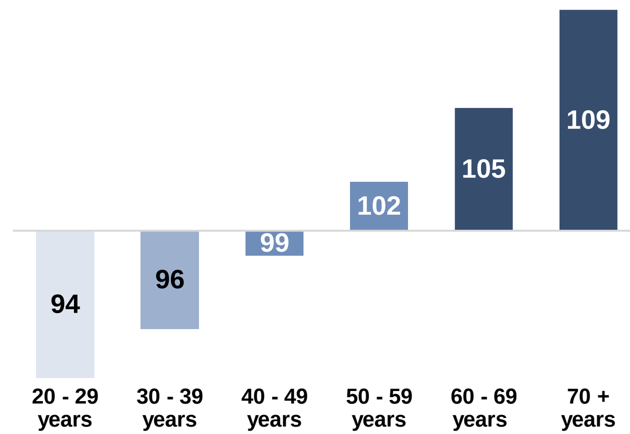
Source: Euromonitor International: Top 10 Global Consumer Trends 2019; Prof. Dr. Schaeffer, 2017: HealthLiteracy; Eurostat 2019

The positive correlation between ageing societies and an increased demand for medication especially fosters the momentum of Non-Rx growth

Demographics in the pharmacy market







AGEING DEMOGRAPHICS EU[1] 2019 - 2040

- The European[1] population is expected to become gradually older
- Segment of 60+ with strongest relative growth to 99 m people in 2040
- Positive correlation between an ageing society and the demand for medication

AGE STRUCTURE OF PHARMACY CUSTOMERS IN GERMANY 2018

- The typical German pharmacy customer is over 50 years old (52%)
- 34% of pharmacy customers are even older than 60 years

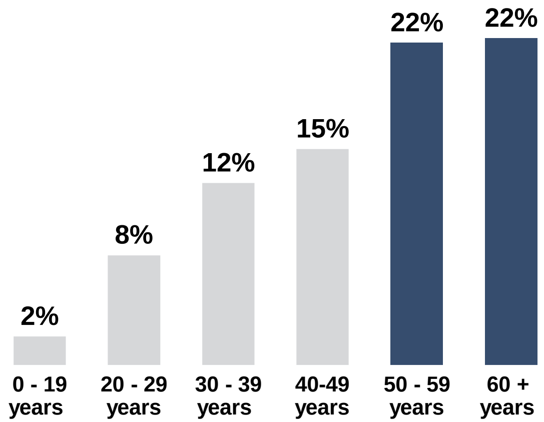
PHARMACY NON-RX SHOPPING CART VALUE INDEX GERMANY 2016

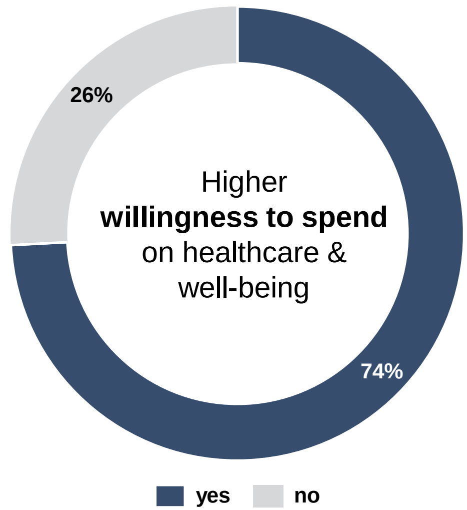
- The average pharmacy shopping cart value significantly increases by consumer age
- Elderly people (60+) tend to spend over-proportionally more than younger customers

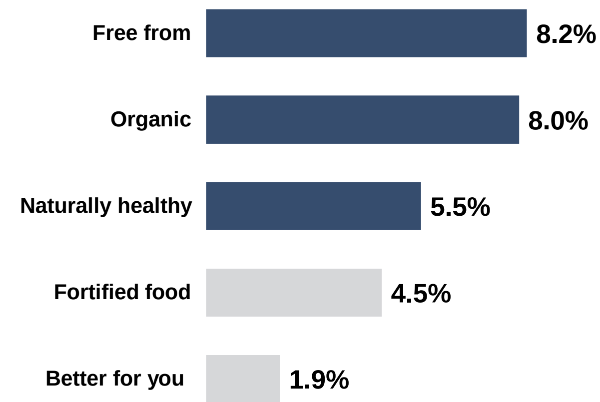
1 including the following European markets: DE, FR, IT, ES, BE, AT
Source: Eurostat 2019; BVDVA 2016

The global trend towards natural products also translates into the self-medication market and is paired with a willingness to pay a premium price

Relevance of chemical-free products (1/2)







LOHAS 2019: SHARE IN AGE-GROUPS

- Relatively high share of LOHAS in the already pharmacy-savvy segments of 50+ and 60+ in Germany

LOHAS 2019: WILLINGNESS TO SPEND

- 16% of Germans associate themselves with the Lifestyle of Health and Sustainability (LOHAS) and tend to prefer chemical-free over artificial products
- 74% of LOHAS have an above average willingness to spend on healthcare and personal-well-being

DEVELOPMENT OF PRODUCT LABELS CAGR 2012 - 2017

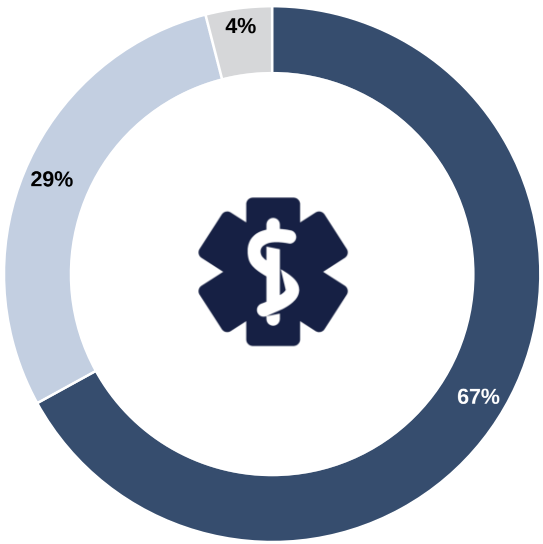
- Products with “natural appeal” show strong and steady growth rates and can be seen as a long-term future trend

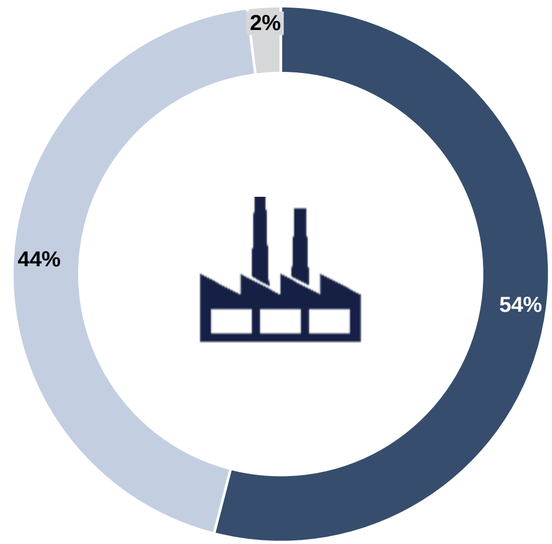
Source: Euromonitor International: Top 10 Global Consumer Trends 2019; IfD Allensbach 2019

Market players in Germany are also convinced that Non-Rx products with chemical-free ingredients are here to stay and will even increase in relevance

Relevance of chemical-free products (2/2)

The future **relevance of natural medicines** is likely to …





grow | stay the same | shrink

PHARMACISTS PERCEPTION ON CHEMICAL-FREE MEDICINES 2019

- Two thirds (67%) of the German pharmacists predict an ever increasing relevance of natural medicines
- Only 4% believe in a decreasing relevance

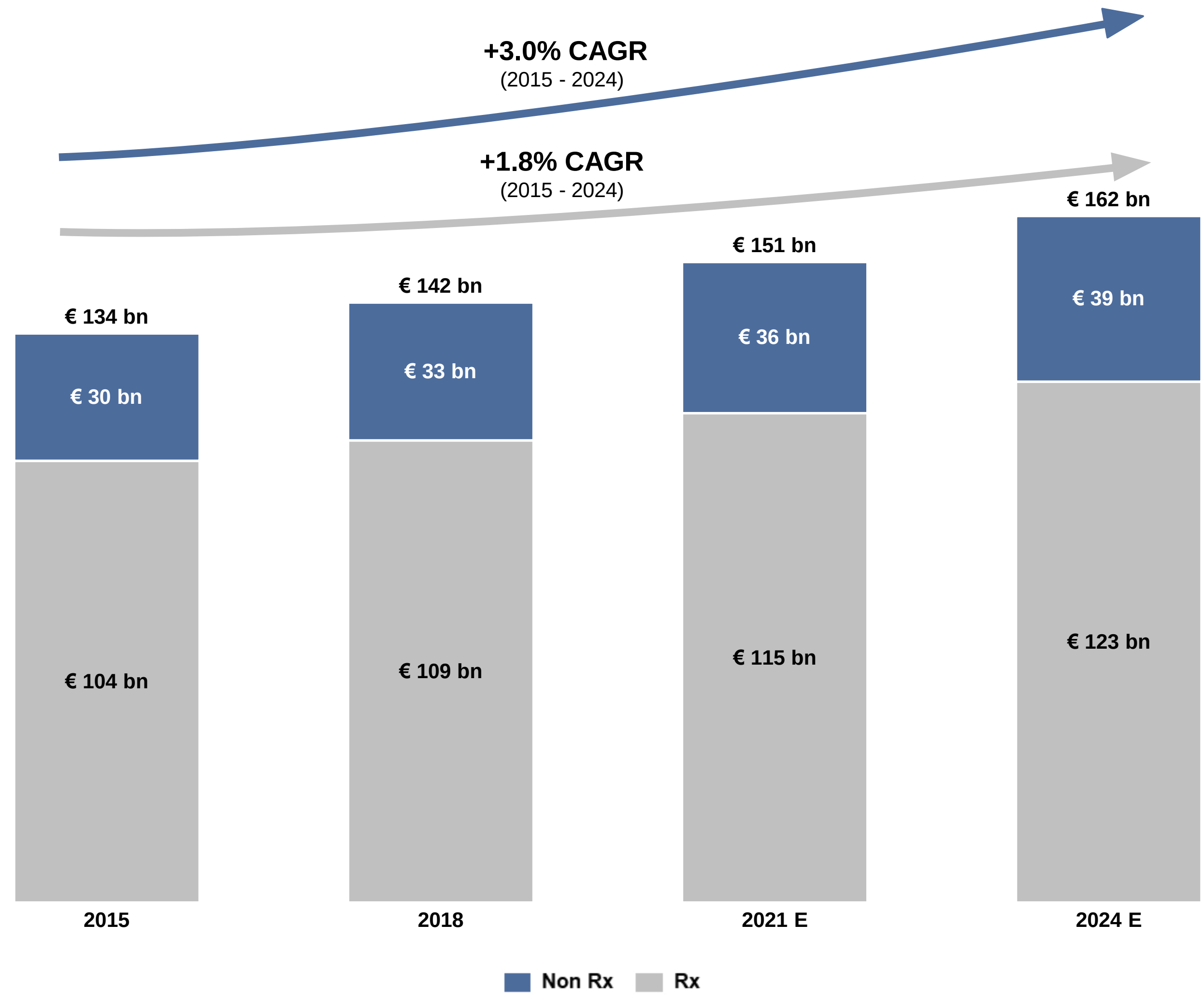
NON-RX INDUSTRY PERCEPTION ON CHEMICAL-FREE MEDICINES 2019

- Every second (54%) German pharmaceutical manufacturer expects natural medicines to become even more relevant in the future
- Only 2% believe in a decreasing relevance

Source: SEMPORA Apothekenmarkt Studie 2019 (n = 153 pharmacists // n = 50 OTC manufacturers)

As a result, the already gigantic European pharmaceutical market is expected to experience further growth, especially the Non-Rx segment

European Rx and Non-Rx markets[1]

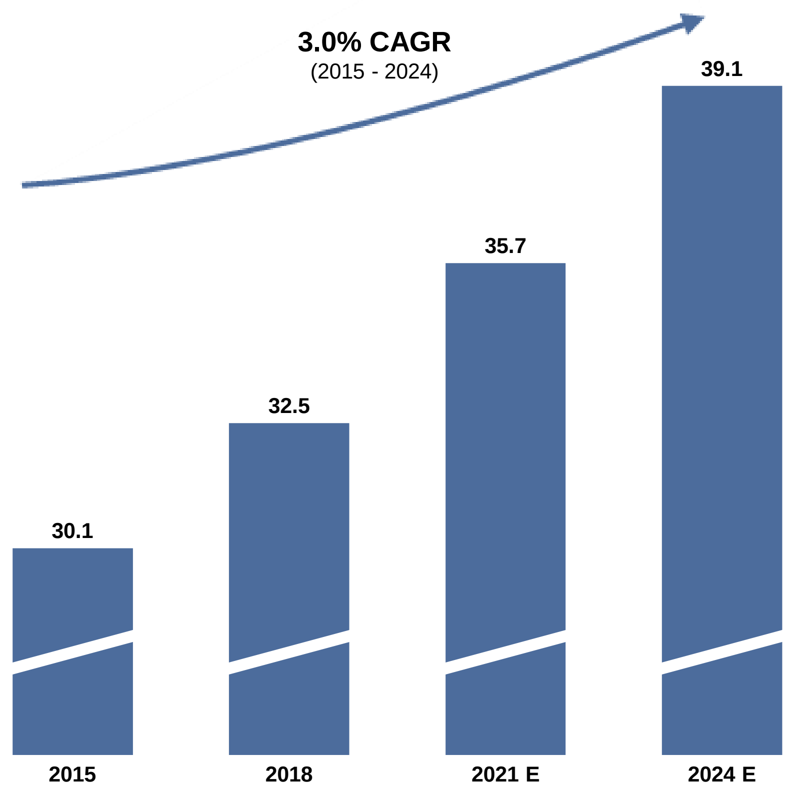


1 including the following European markets: DE, FR, IT, ES, BE, AT
Source: IQVIA, sell-out at PSP (pharmacy selling price), SEMPORA Approximation on European Rx and Non-Rx Markets

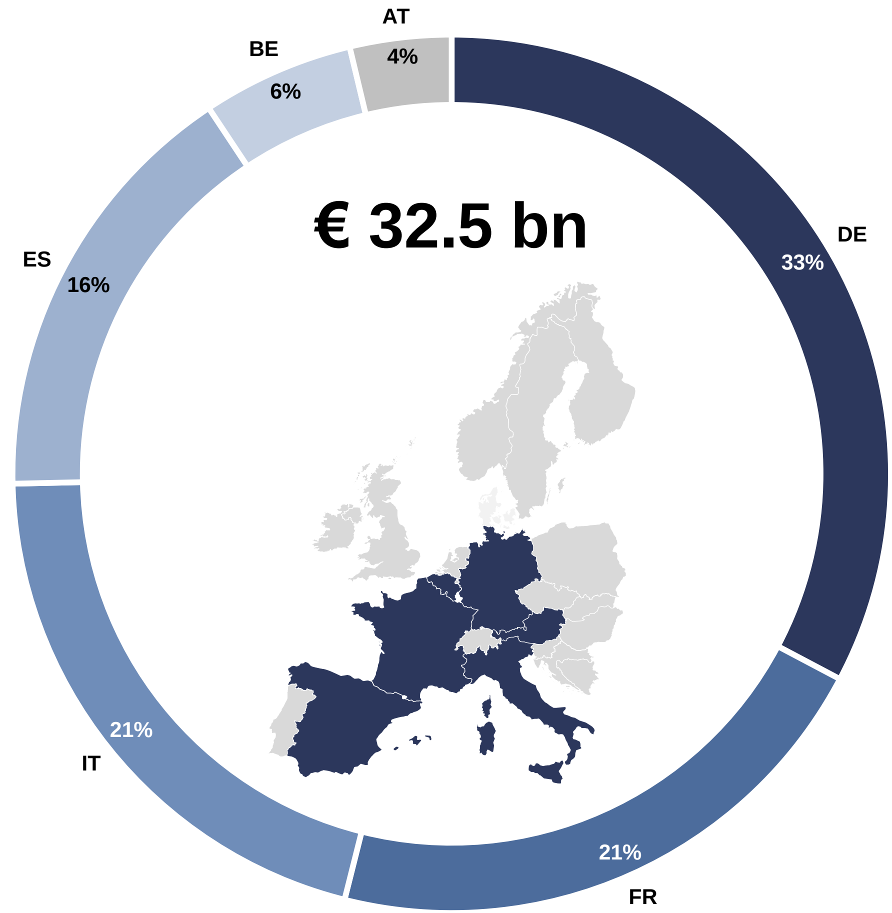
The European multibillion-euro market for non-prescription products offers a base for constant growth across all relevant EU markets

European Non-Rx market[1]

GROWTH ESTIMATION OF NON-RX MARKET IN EU 2015 – 2024
(in € bn)



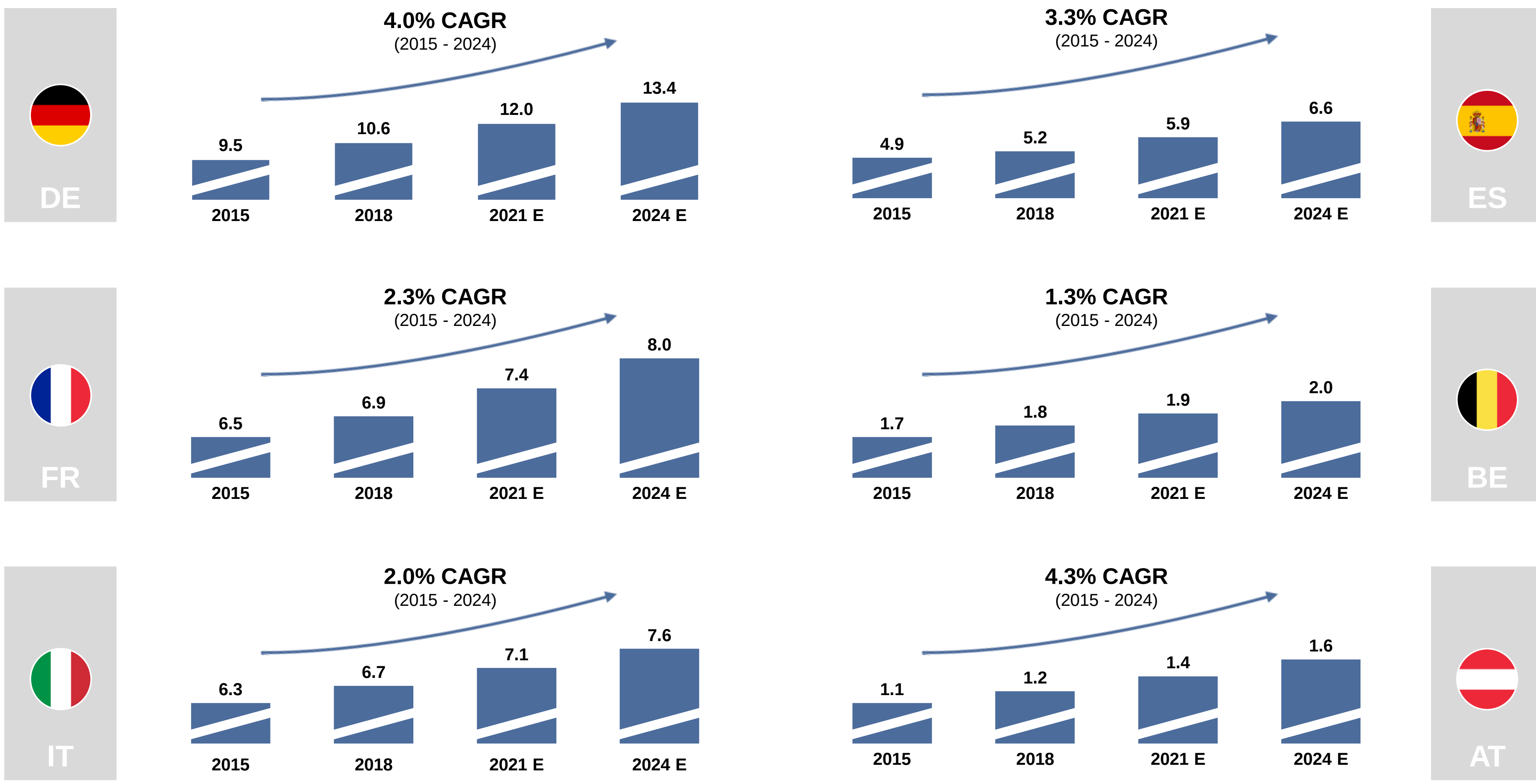
COUNTRY SPLIT OF ESTIMATED NON-RX MARKET 2018



1 including the following European markets: DE, FR, IT, ES, BE, AT
Source: IQVIA, sell-out at PSP (pharmacy selling price), SEMPORA Approximation on European Non-Rx Markets

While the self-medication segments are predicted to continuously accelerate until 2024 across all EU markets …

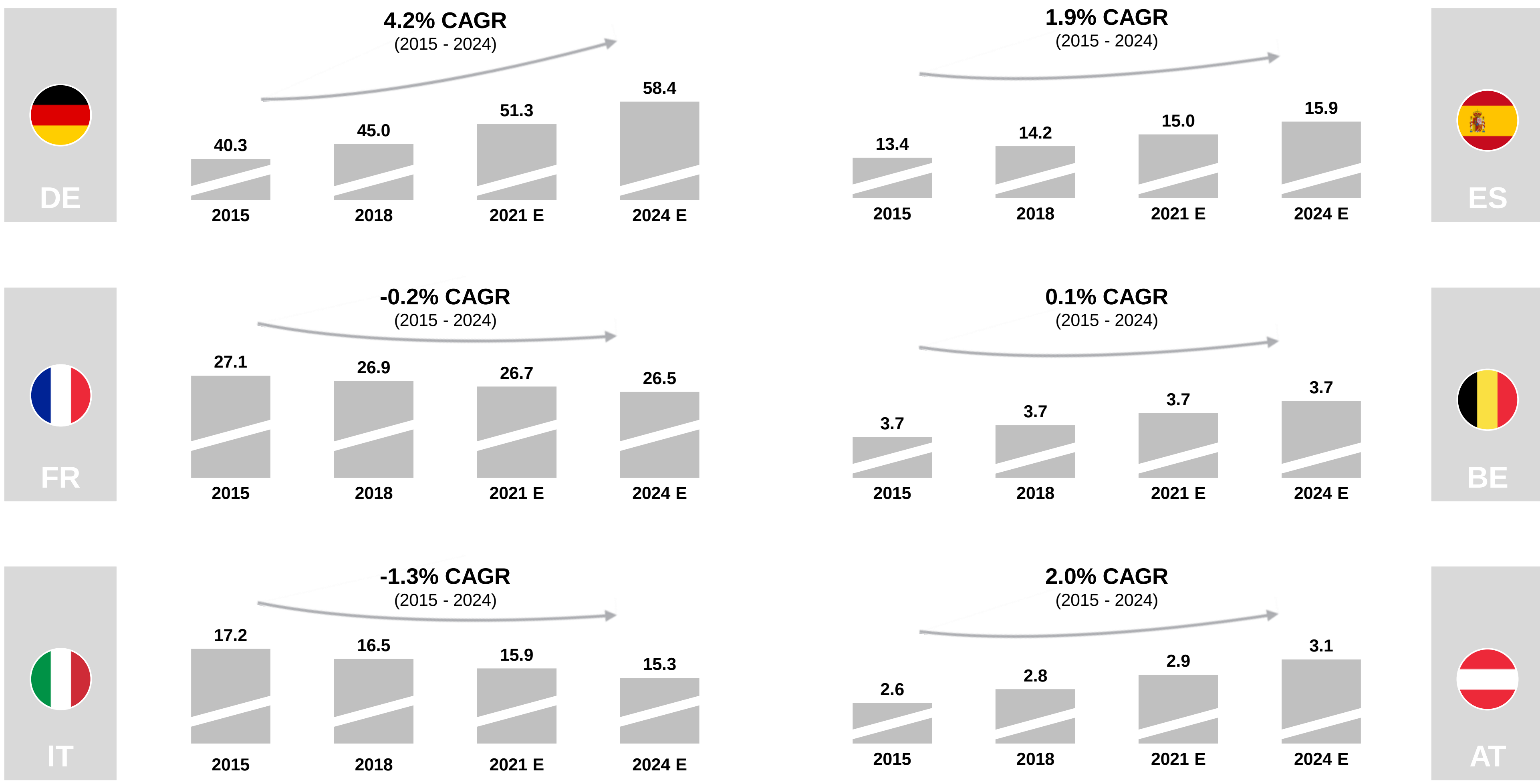
European Non-Rx markets (in € bn)



Source: IQVIA, sell-out at PSP (pharmacy selling price), SEMPORA Approximation on European Rx and Non-Rx Markets

… the European Rx-segments are expected to show a less dynamic development

European Rx markets (in € bn)

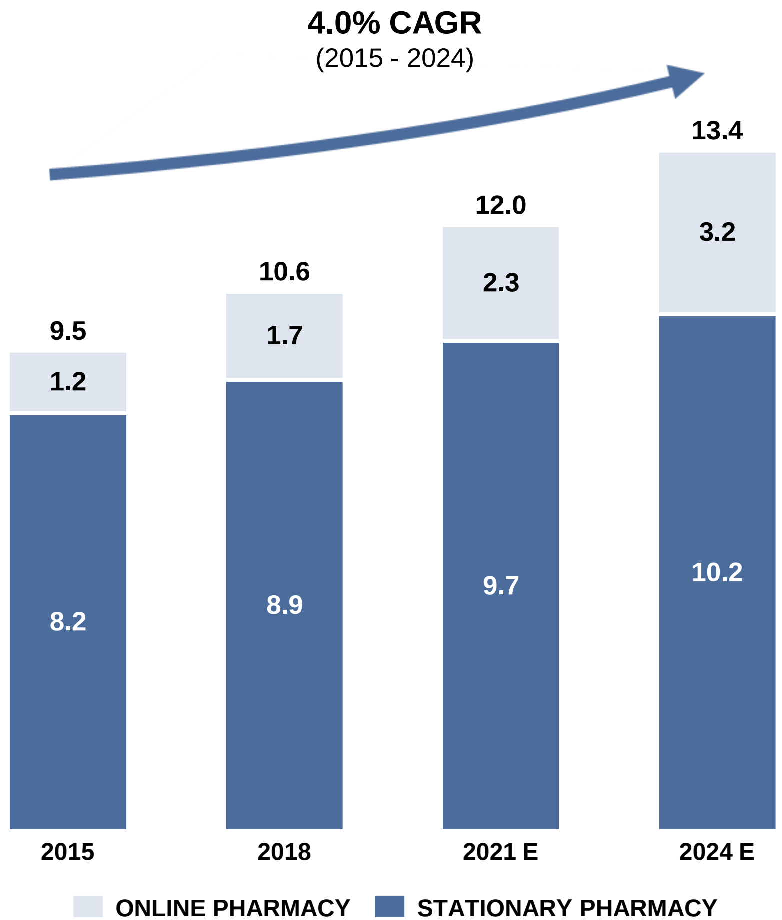


Source: IQVIA, sell-out at PSP (pharmacy selling price), SEMPORA Approximation on European Rx and Non-Rx Markets

Deep-dive: Germany

With € 10.6 bn in 2018, the German Non-Rx market is the largest in Europe, characterized by continuous growth

German Non-Rx market split online vs. stationary pharmacy (in € bn)

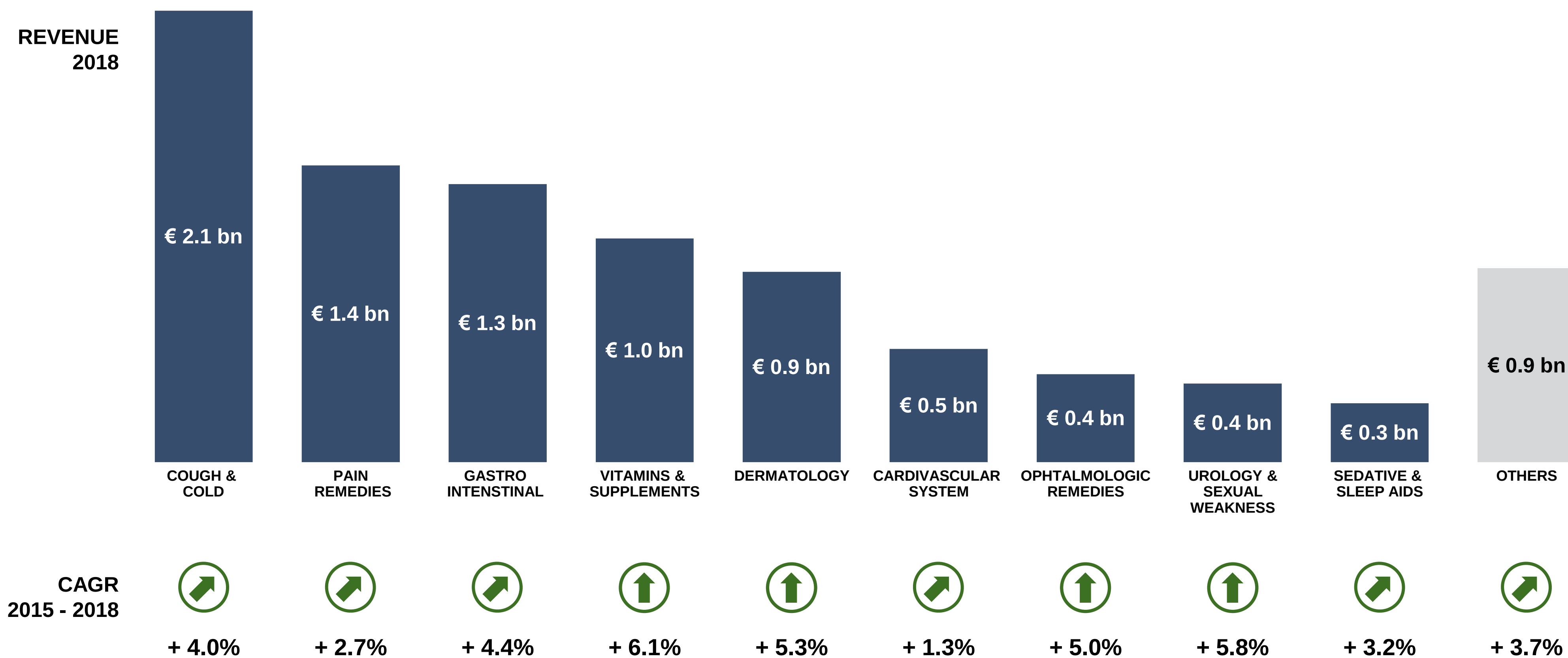


- **Multibillion-Euro segment**, largest market in Europe
- Fuelled by the before-mentioned **consumer trends**, a **continuous growth across all channels** is projected for the German market for self-medication
  - especially the **online sales channel** is characterized by **dynamic growth rates**[1] (+11.3% CAGR 2015 - 2024)
  - the **stationary channel** is also expected to develop at an average rate of **+2.4%** until 2024
- Due to its largely **independence from macroeconomic developments**, a **steady future development** can be estimated for German Non-Rx market

1 excl. potential effects resulting from introduction of e-prescriptions in 2022
Source: IQVIA, sell-out at PSP (pharmacy selling price), SEMPORA Approximation on German Non-Rx Market

This overall performance is also reflected in the steady positive development of all relevant Non-Rx segments in Germany

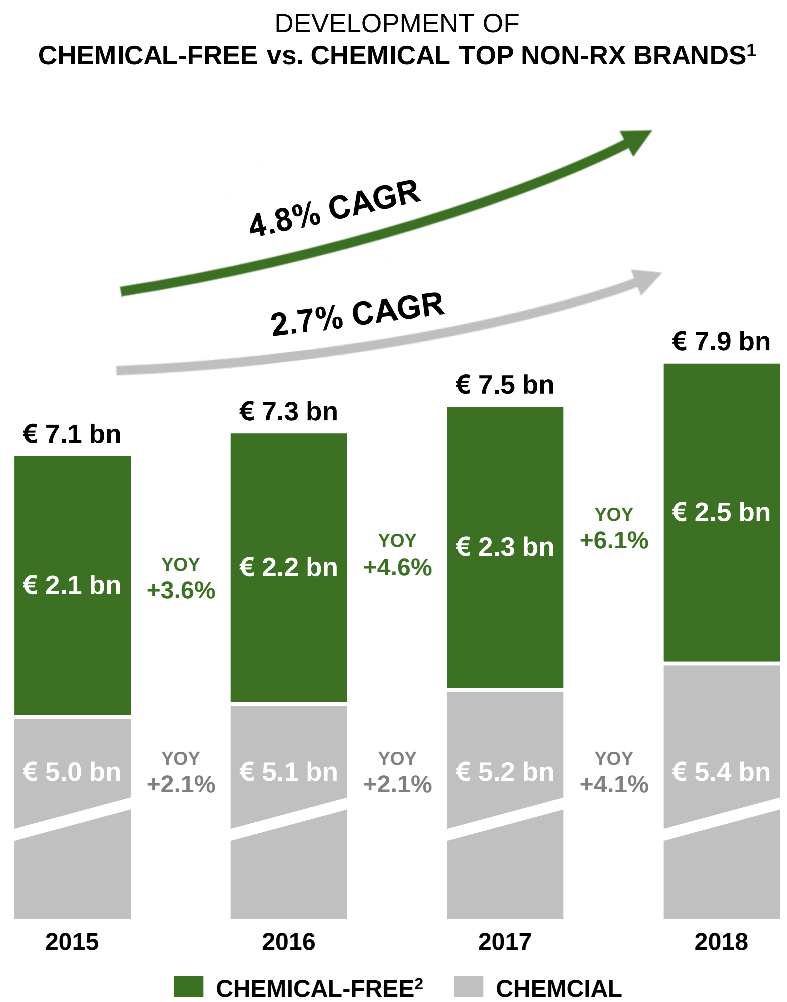
Non-Rx category split in Germany



Source: IQVIA Spotlight 2018, sell-out at PSP

Comparing the development of chemical-free vs. chemical Top Non-Rx brands[1] in Germany also underlines the ongoing trend towards chemical-free products

Relevance of chemical-free products



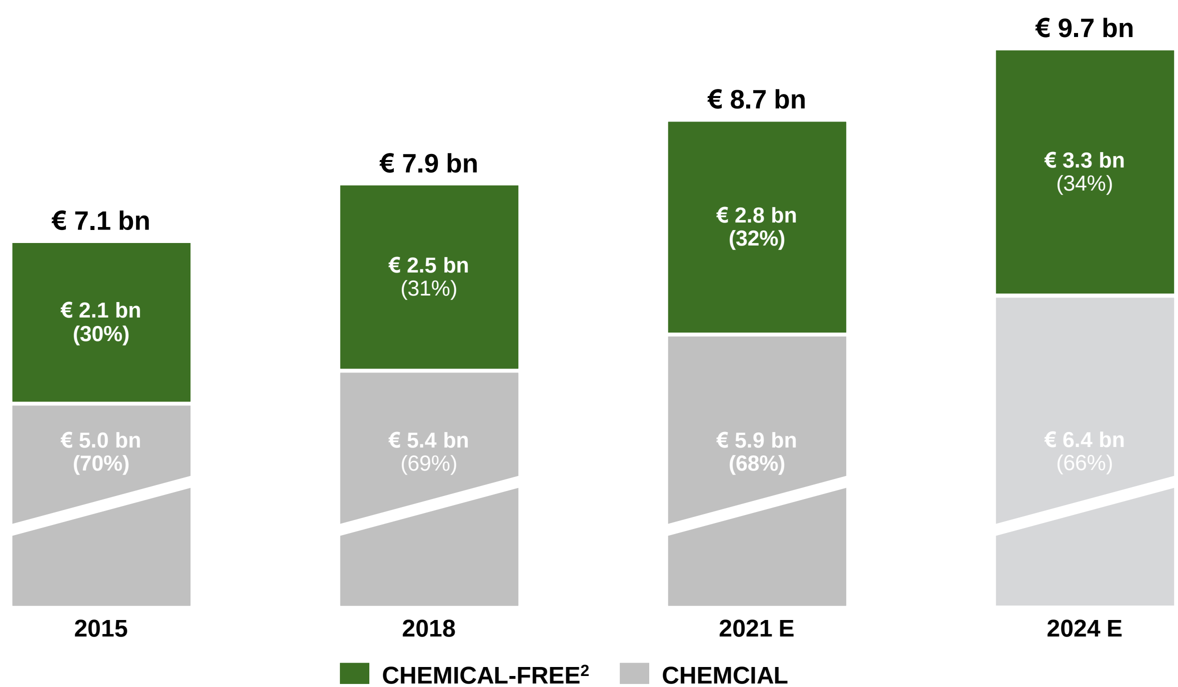
- **Naturally-appealing Non-Rx brands** (chemical-free) already **represent over 30% of the total Non-Rx market** in Germany
- The **chemical-free segment substantially outperforms** the growth rates of **chemical segment**
  - + 2.0% points CAGR 15 - 18
  - + 2.0% points YOY 17 - 18
- Unsurprisingly **pharmacy concepts**, such as the Phytothek (DE) and Apoteka Natura (IT), **focusing on natural / herbal medicines** are gaining in **importance on an international level**

1 Top Non-Rx brands ≙ sell-out > € 5.0 m in 2018 (excl. Iberogast, DHU & Hauschka)
2 products with natural API & products with natural-appealing API
Source: Insight Health Apo Fusion, sell-out at rPSP

In fact, chemical-free Non-Rx brands are expected to further outperform chemical products – representing a market size of € 3.3 bn by 2024

Projection development of chemical-free Non-Rx brands

PROJECTION OF
CHEMICAL-FREE vs. CHEMICAL TOP NON-RX BRANDS[1]



1 Top Non-Rx brands ≙ sell-out > € 5.0 m in 2018 (excl. Iberogast, DHU & Hauschka)
2 products with natural API & products with natural-appealing API
Source: Insight Health Apo Fusion, sell-out at rPSP

Apart form very few exceptions, the segment of pure chemical-free Non-Rx players shows remarkable, above-average growth rates, …

Top chemical-free Non-Rx players in Germany

	REVENUE 2018	CAGR 2015 - 2018
BIONORICA	€ 248 m	+ 6.7%
SCHWABE	€ 232 m	+ 3.2%
HEEL	€ 140 m	+ 1.7%
DHU	€ 139 m	- 2.4%
MEDICE	€ 131 m	+ 2.2%
POHL-BOSKAMP	€ 124 m	+ 5.5%
ENGELHARD	€ 102 m	+ 6.6%
WELEDA	€ 81 m	- 2.0%
SGP	€ 72 m	+ 17.5%
Wala	€ 70 m	+ 4.1%
37 Others[1]	€ 695 m	+ 4.2%

- **Bionorica** and **Schwabe** are by **far the largest players** in the pure chemical-free segment
- Apart from Heel, DHU and Weleda, the **segment of chemical-free Non-Rx companies** shows **substantial growth** in recent years
- Since 2015, **SGP grew by € 27.6 m** thereby entering the **Top 10 of chemical-free Non-Rx players**
- However, **high level of fragmentation** among the chemical-free Non-Rx manufacturers, 47 players with more than € 5.0 m sell-out

1 Manufacturers > € 5.0 m Sell-out at rPSP in 2018 – incl. 3 > € 50 m, 9 between € 20 m - € 50 m and 25 between € 5 m - € 20 m

Source: Insight Health Apo Fusion 2018, sell-out at rPSP

… a performance that can neither be met by the Top Non-Rx players in general nor by their chemical-free portfolios

Chemical-free share of Top Non-Rx players (excl. pure chemical-free players)

	REVENUE 2018 (chemical-free revenue)	Chemical-free share	TOTAL CAGR 2015 - 2018	CHEMICAL-FREE CAGR 2015 - 2018
BAYER	€ 536 m (€ 134 m)	25%	- 0.6%	+ 1.7%
GSK	€ 505 m (€ 3 m)	1%	+ 1.0%	+ 1.0%
RATIOPHARM	€ 438 m (€ 32 m)	7%	+ 5.4%	+ 1.9%
SANOFI	€ 362 m (€ 30 m)	8%	- 0.4%	+ 0.3%
HEXAL	€ 315 m (€ 47 m)	15%	+ 0.2%	- 1.4%
STADA	€ 269 m (€ 8 m)	3%	- 0.9%	+ 2.6%
J&J	€ 229 m		- 0.2%	
PFIZER	€ 167 m (€ 25 m)	15%	- 1.3%	- 2.1%
BEIERSDORF	€ 145 m		+ 2.7%	
MERCK	€ 133 m (€ 34 m)	25%	+ 0.2%	- 3.0%

chemical-free chemical

Source: Insight Health Apo Fusion 2018, sell-out at rPSP

However, most pure chemical-free manufacturers are also characterized by rather unbalanced and old brand portfolios as well as limited innovation power

Top chemical-free Non-Rx players: Balance in brand portfolios

	# LEADING BRANDS (% of portfolio sales)	MARKET LEADERS (#1 and #2)	FOLLOWERS (#3 and #4)	OTHERS (#5 and above)	# NEW BRANDS[1] (2015 - 2018)
BIONORICA	**2** (67%)	**2 Brands (≙ 67%)**	**1 Brand (≙ 20%)**	**≙ 13%**	**-**
SCHWABE	**6** (73%)	**6 Brands (≙ 73%)**	**2 Brands (≙ 11%)**	**≙ 16%**	**1**
HEEL	**2** (45%)	**2 Brands (≙ 45%)**	**1 Brand (≙ 11%)**	**≙ 44%**	**1**
DHU	**3** (39%)	**3 Brands (≙ 39%)**	**1 Brand (≙ 3%)**	**≙ 58%**	**1**
MEDICE	**5** (49%)	**5 Brands (≙ 49%)**	**3 Brands (≙ 26%)**	**≙ 25%**	**1**
POHL-BOSKAMP	**2** (66%)	**2 Brands (≙ 66%)**	**1 Brand (≙ 22%)**	**≙ 12%**	**-**
ENGELHARD	**2** (29%)	**2 Brands (≙ 29%)**		**≙ 71%**	**-**
WELEDA	**1** (11%)	**1 Brand (≙ 11%)**		**≙ 89%**	**-**
SGP	**6** (89%)	**6 Brands (≙ 89%)**	**1 Brand (≙ 3%)**	**≙ 8%**	**9**
WALA	**1** (30%)	**1 Brand (≙ 30%)**	**1 Brand (≙ 27%)**	**≙ 43%**	**-**

- The portfolio of most manufactures **heavily relies on 1-2 large brands** (market-leading brands)
- With six brands in market leading positions **and 9 successful launches** since 2015, **SGP has one of the best-balanced** portfolios among the chemical-free Non-Rx players
- **Overall limited innovation power**, while 35 out of 47 pure chemical-free manufacturers did not manage to launch a new brand successfully between 2015-2018[2], the average age of the market's brand portfolio is 24 years

1 SEMPORA New Brands study – Brand revenue > € 0.5 m and launched between 2015 – 2018
2 The other 12 companies launched on average 2 brands between 2015 - 2018
Source: Insight Health; Sell-Out at rPSP in MAT 06/2019 – Top 10 brands > € 1 m in comparison to company revenue

Diameter ≙ **Share of portfolio turnover** (MAT 06/2019)

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Excursus: Chemical-free Pain Remedies in Germany

In pain therapy, a distinction is made between two types of pain – nociceptive and neuropathic pain – both can be treated with systemic or topical medicines

Pain segments

PHYSICAL PAIN

NOCICEPTIVE PAIN

- **Nociceptive pain** is the **most common type of pain**
- It occurs in the **event of tissue damage** (physical damage) and is transmitted by the so-called nociceptors
- Nociceptive pain is **usually acute** and develops **in response to a specific situation**
- It can be caused by **physical events**, **inflammation** or **chemicals**

NEUROPATHIC PAIN

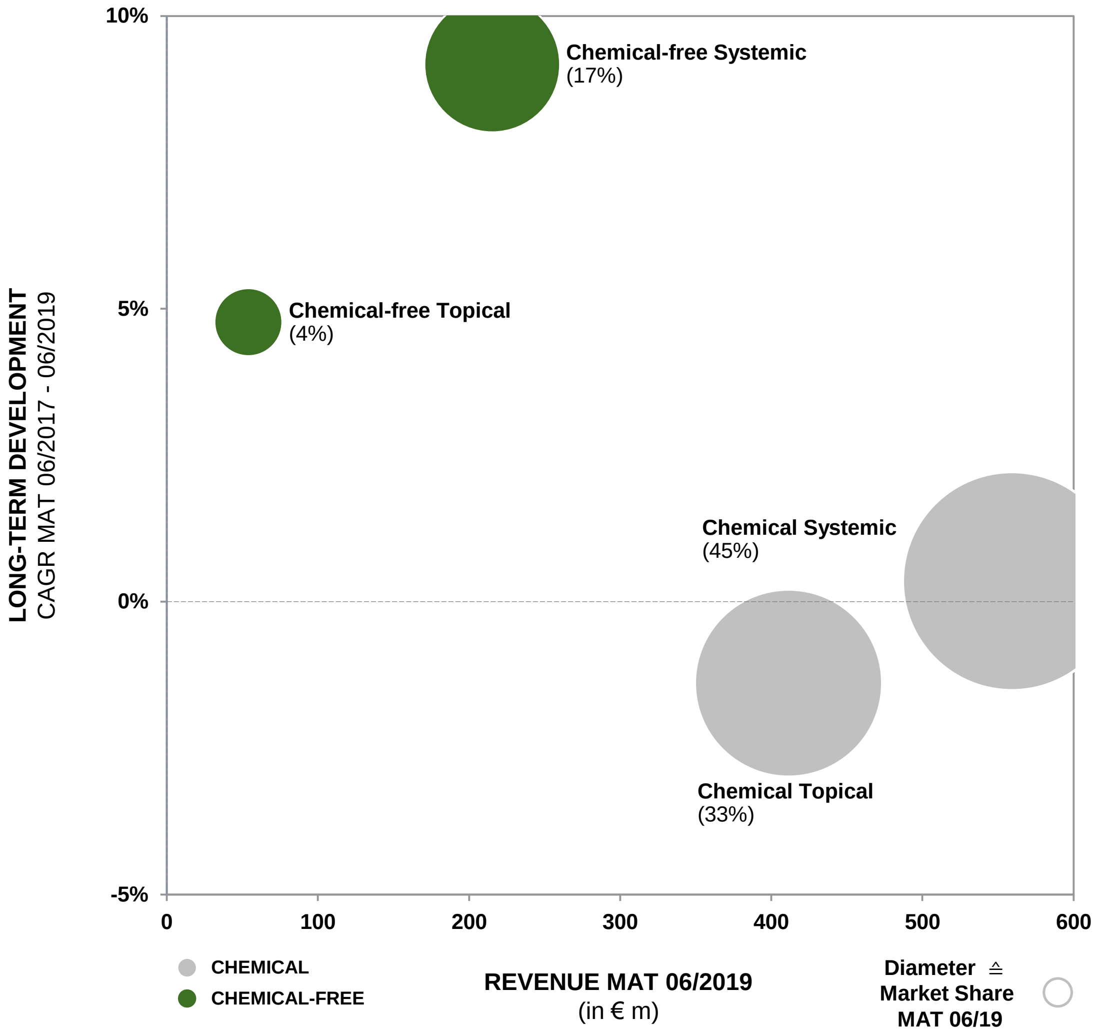
- Neuropathic pain develops when the **nerve system is damaged** or **not working properly** due to disease or injury
- Neuropathic pain is **usually not acute but chronical** and does **not** develop **in response to any specific circumstance** or outside stimulus
- It can be caused by **pressure, inflammation, metabolic disorders, radiation** or **burns**, and is usually related to **back-** or **neck pain**
- According to a European pain study[1], about **20% of the European adult population** suffers from **chronic pain**, with **one third** of those **suffering severely** and for more than **seven years**

Nociceptive pain						Neuropathic pain			
Arthritis	**Arthrosis**	**Injuries**	**Overexertions**	**Rheumatism**	**Headache**	**Back Pain**	**Neck Pain**	**Diabetic Polyneuropathy**	**Fibromyalgia**

1 Survey on chronic pain 2017 – Pain Alliance Europe

Also in the German pain segment, chemical-free products outperform the traditional chemical remedies, showing substantially stronger growth rates

Non-Rx pain categories in Germany

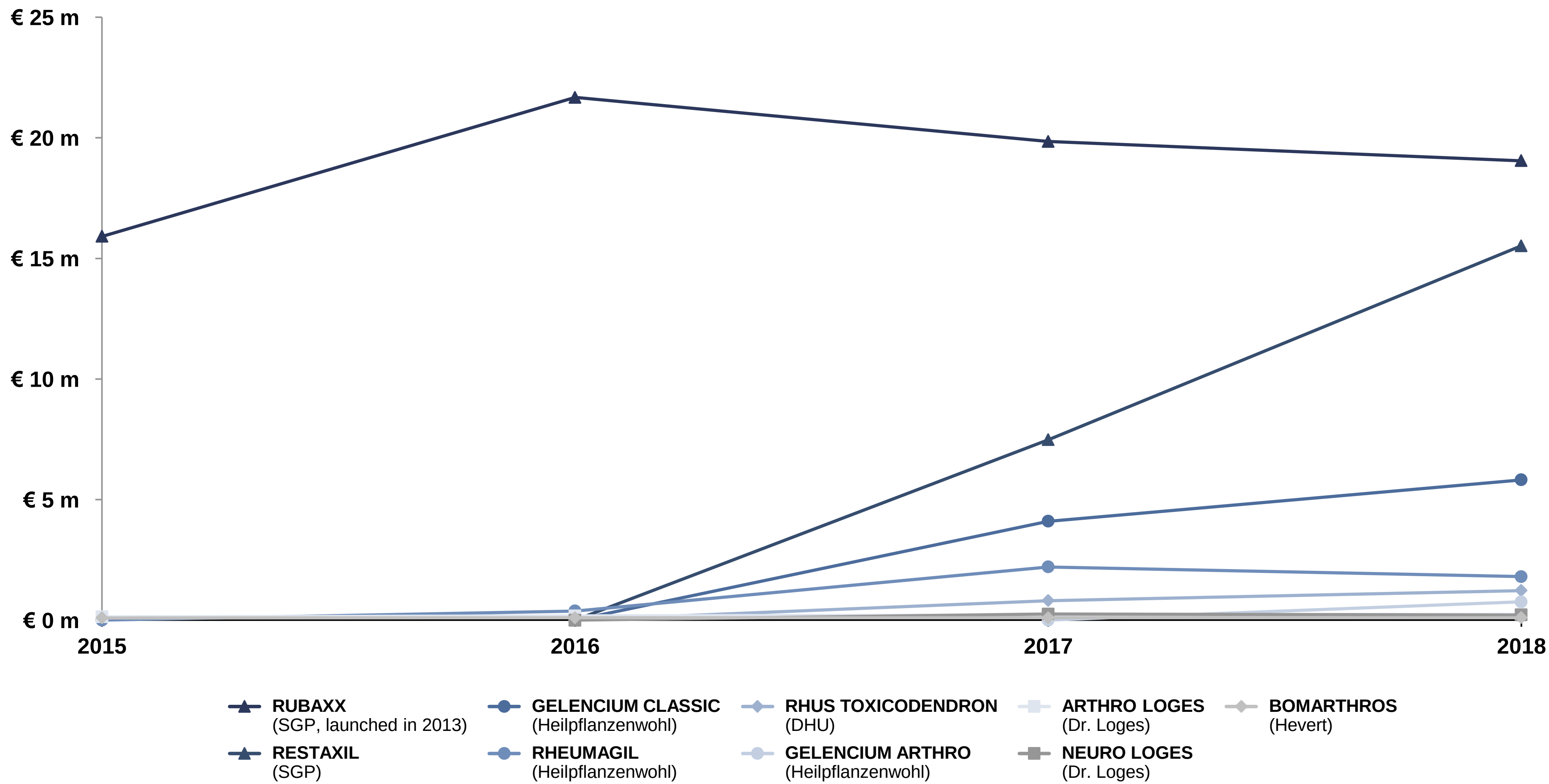


- In general, the **German Non-Rx pain market** can be divided into **four segments**:
  - **Chemical systemic** (e.g. Aspirin, Ibuprofen)
  - **Chemical topical** (e.g. Voltaren, Thermacare)
  - **Chemical-free systemic** (e.g. RubaXX, Wobenzym)
  - **Chemical-free topical** (e.g. Kytta, Traumeel)
- In contrast to the chemical pain categories, the **chemical-free pain segments** show **significant long-term growth**

Source: Insight Health; Sell-Out at rPSP

The segment's attractivity is underlined by the rather high number of recent launches; however, only a few strong brands were able to establish themselves

Example: New products in the chemical-free pain segment (approved medicines only)



Source: Insight Health Apo Fusion 2018, sell-out at rPSP

Appendix

The following Non-Rx chemical-free players generate more than € 5.0 m in revenues in 2018:

Top chemical-free Non-Rx players in Germany

Rank	Company	Rank	Company	Rank	Company	Rank	Company
1	Bionorica	16	Weber & Weber	31	Huebner	46	Rausch
2	Schwabe	17	Pflueger	32	Pro Natura	47	11 A Nutritheke
3	Heel	18	Wala/Hauschka	33	Avitale		
4	DHU	19	Salus Pharma	34	Scheffler		
5	Medice Arzn.	20	Krewel Meuselb.	35	Rabenhorst		
6	Pohl-Boskamp	21	Pascoe	36	Luvos		
7	Engelhard	22	Heilpflanz.Wohl	37	meta Fackler		
8	Weleda	23	Sidroga,Bad Ems	38	Iscador		
9	SGP	24	Retterspitz	39	Primavera		
10	Wala	25	Nelsons	40	Helixor		
11	Loges	26	HS Tee-Ges.	41	Mickan		
12	Trommsdorff	27	Cefak	42	Kneipp		
13	Hevert	28	Bombastus	43	Aurica		
14	Quiris	29	Niehaus Pharma	44	Taoasis		
15	MUCOS	30	Almased Welln.	45	Hirundo		

Source: Insight Health Apo Fusion 2018, sell-out at rPSP

Glossary of abbreviations:

Abbreviation	Description
API	Active Pharmaceutical Ingredients
AT	Austria
BE	Belgium
bn	Billion
CAGR	Compound Annual Growth Rate
DE	Germany
ES	Spain
EU	European Union
esp.	especially
excl.	excluding
FR	France
incl.	including
IT	Italy
k	thousand
m	million

Abbreviation	Description
MAT	Moving Annual Total
OTC	Over the Counter
p.	page
p.a.	per year (per anno)
PEC	Personal Care
PSP	Pharmacy Selling Price
rPSP	realised Pharmacy Selling Price
Rx	Prescription medicine
vs	versus
YOY	Year over Year