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Global Toothpaste

UBS Evidence Lab inside: Annual Deep Clean: The Inaugural Toothpaste Consumer Report

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Global
Household Products, Non-Durable

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Toothpaste is a steady growth category w/sound underpinnings & high margin
In its 1st toothpaste category study, UBS Evidence Lab surveyed 3,920 consumers from the US, China, India and Brazil to assess brand performance, loyalty and price elasticity (> Access Dataset). Toothpaste is a $24+ billion global retail sales category that grows at a steady 4% CAGR w/attractive margin structure due to product premiumization and low private label mix. Comparing these survey responses to market share and sales data provides insight to primary market drivers and to individual brands. Survey insights show there is an opportunity to increase purchase frequency across regions, toothpaste brands matter in this category, and consumers enjoy trading-up to enhanced offerings. This data suggests price and promotion are less important than value-add performance features such as Total Care, Gum Health, Breath Freshening, Sensitivity, etc.

EMs and DMs both show growing preference for premium toothpaste products
Euromonitor data show the global oral care industry exhibits consistent per-capita sales growth and survey responses indicate that the largest sales upside potential exists for value-add performance attributes. In developed markets such as the U.S., volume trends and growth are driven primarily by trade-ups and inflation. Emerging markets will likely enjoy outsized pricing due to under-premiumization and price inelasticity, and show volume upside through increased per-capita use and HH penetration. Colgate-Palmolive's "Bright Smiles, Bright Futures" campaign, which provides oral health education to over ~1bn children globally, demonstrates one such volumetric driver.

Reiterate Buys (CL, HUL, Dabur, XSHE), Neutrals (PG, CHD), and Sells (CL-India)
We reaffirm our Buy for Colgate-US given its outsize exposure to favorable oral care dynamics as well as improved organic sales trends and trade-up execution. See our previous CL note for what we believe is an under-appreciated price/mix opportunity. We maintain a Neutral on PG & CHD based on valuation and well-appreciated sales momentum—we also observe less toothpaste exposure. We remain a Sell on Colgate India given higher dependence on informal distribution channels, Buy on HUL in view of synergies from GSKCH merger and Buy on Dabur on strong herbal positioning. Affirm Buy on Yunnan Baiyao due to product premiumization and high brand recognition.

Figure 1: Global Toothpaste Exposure

Company	Rating	Market Cap ($mm)	Global Toothpaste as % of sales	US Toothpaste as a % of Sales	Non-US Toothpaste as a % of Sales	UBS Analyst
Colgate-Palmolive	Buy	$62,013	49%	8%	41%	Steve Strycula
Procter & Gamble	Neutral	$292,943	4%	2%	2%	Steve Strycula
Church & Dwight	Neutral	$18.114	4%	3%	1%	Steve Strycula
Unilever	Neutral	113 (GBP)	4%	0%	4%	Nik Oliver
Yunnan Baiyao	Buy	114.69 (CNY)	15%	-	15%	Stella Xing
Colgate-Palmolive India	Sell	367.64 (RS)	86%	-	86%	Sunita Sachdev
Hindustan Unilever	Buy	4,852.41 (RS)	5%	-	5%	Sunita Sachdev
Dabur	Buy	777.42 (RS)	13%	-	13%	Sunita Sachdev
GlaxoSmithKline	Buy	81,498 (GBP)	7%	2%	5%	Laura Sutcliffe

Source: Euromonitor, FactSet, UBS Analysis

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Contents

Executive Summary **3**

Introduction to UBS Evidence Lab Oral Care Industry Survey **5**

What does this survey tell us and why is it important? 5

Oral Care Industry Overview **6**

Sizes of the global oral care and toothpaste industries 6

Global Toothpaste Shares 7

UBS Evidence Lab Toothpaste Survey **8**

Purchase frequency and loyalty 8

Purchase Decisions are Attribute Driven, Price is Secondary 10

Market Analysis and Regional Survey Insights **12**

United States 12

China 14

India 17

Brazil 19

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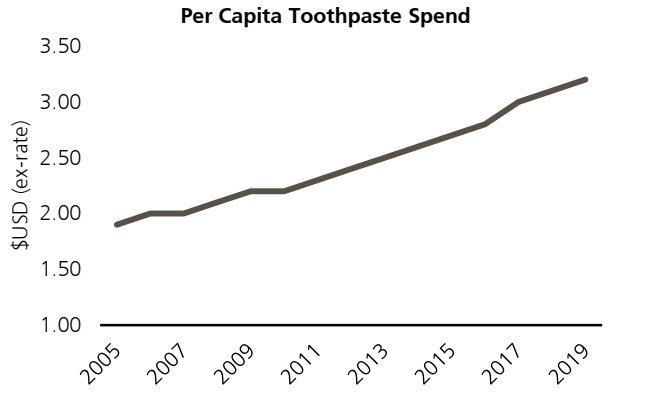
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Executive Summary

The global toothpaste industry is an essentials category with $24+ billion in retail sales (Euromonitor) that enjoys resilient demand and carries structural advantages. Annual per-capita spend growth is steady -- driven primarily by price/mix and to a lesser extent, new users and increased brushing frequency (Figure 2).

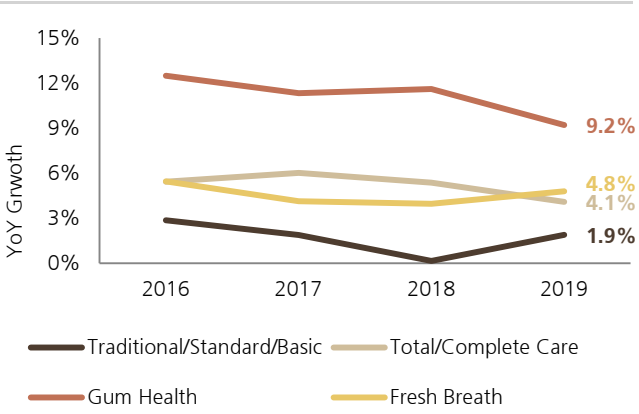
Trade-up, or product premiumization, is a significant price/mix driver in both developed and emerging markets. The toothpaste category offers premiumization through enhanced benefits such as total care benefits, fresh breath, and whitening, which are growing faster than basic cavity protection brands (Figure 3).

Figure 2: Global annual toothpaste consumption weathers all market conditions; revenue driven by pricing



Source: Euromonitor, UBS Analysis

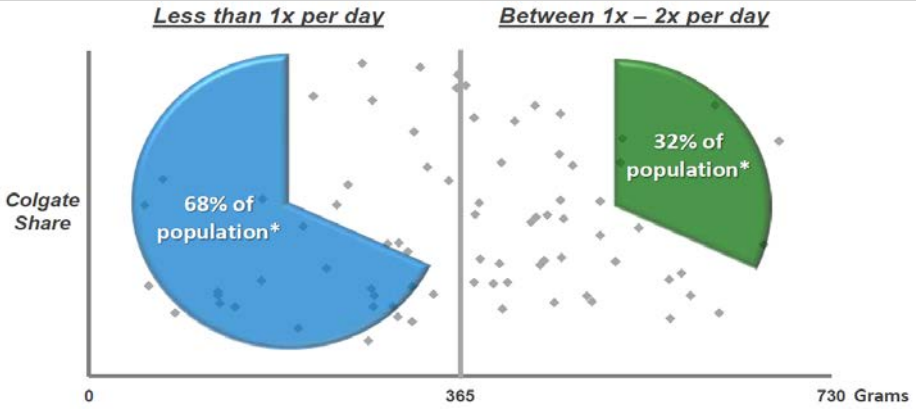
Figure 3: Premium toothpastes grow faster than value



Source: Euromonitor, UBS Analysis

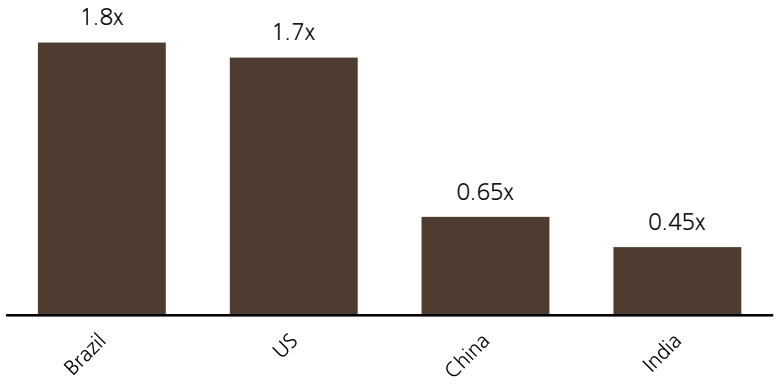
Trends in volume growth are steady on a global basis, and are tied to local cultural norms for brushing frequency (Figure 4). Per cap use rates are generally ~flat YoY, or rise glacially. But the potential for volume expansion does exist in emerging markets such as China and India where per-capita consumption is half that of the high frequency use toothpaste markets such as the U.S. and Brazil (Figure 5).

Figure 4: Per Cap Daily Toothpaste Use, by country--Global Opportunities per Colgate presentation



Source: Company Information

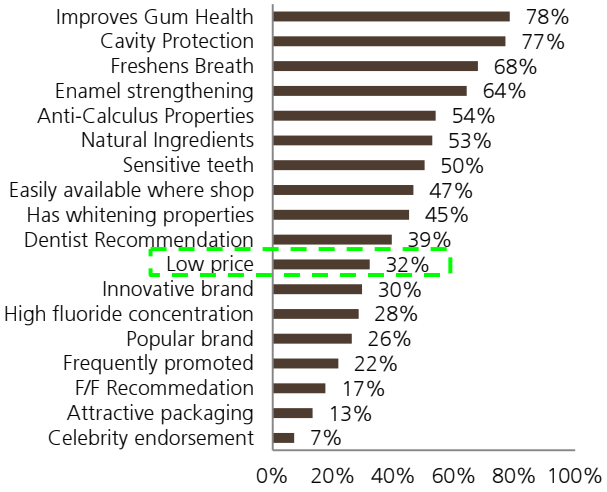
Figure 5: Per Cap Daily Toothpaste Use (brushing incidents per day)



Source: UBS Estimates

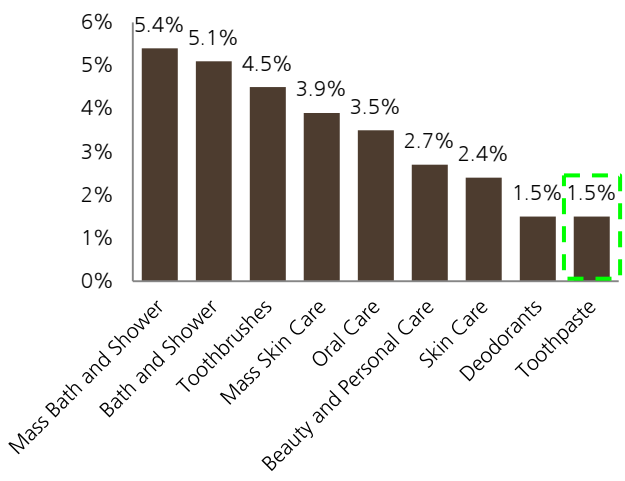
In order to dive deeper into market shares and the factors that drive them, UBS Evidence Lab conducted a global survey to assess customer satisfaction. The study demonstrates that toothpaste performance attributes *consistently ranked more important* than "low prices" or "promotion levels" to consumers, and affirms that this sector is stable and primed for steady growth (Figure 6).

Figure 6: "How important is each attribute when selecting which brand of toothpaste you buy?"



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 7: Toothpaste has sector-low PL Penetration



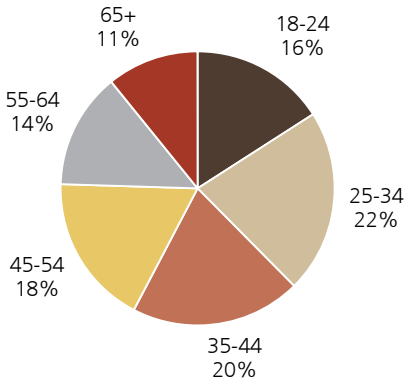
Source: Euromonitor, UBS analysis

Importantly, the toothpaste category also faces less private label penetration relative to other HPC product categories at 1.5% (Figure 7). This low penetration is partially attributed to Colgate-Palmolive's partnerships with local and national governments worldwide in the "Bright Smiles, Bright Futures" program. Aimed at educating over 1 billion children in emerging markets on the importance of oral health, the program carries the added benefit of furthering brand recognition and ensuring these brands maintain attractive margin.

Introduction to UBS Evidence Lab Oral Care Industry Survey

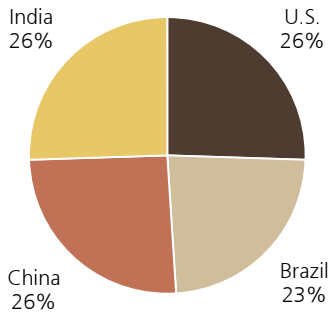
In this report, we analyze results from UBS Evidence Lab's 1st annual consumer survey on oral care habits and the toothpaste industry with a focus on frequency of toothpaste purchase, most important product attributes, brand preferences, purchase patterns, recommendation levels, and price elasticity. This survey polled 3,920 participants aging from 18-65+ from the U.S., Brazil, China and India.

Figure 8: Global Oral Care Survey Respondents by age



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 9: Global Oral Care Survey Respondents by region



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

What does this survey tell us and why is it important?

This survey was conducted pre-COVID-19, from October to November of 2019. We find survey responses to: 1) serve as a proxy for consumer preferences in a post pandemic world, 2) show where multi-national companies might be weaker / stronger than local brands in key markets, and 3) help identify consumer spending patterns, and highlight which companies could be the beneficiaries.

Oral Care Industry Overview

To establish proper industry context, we breakdown industry revenue pools using the following key metrics:

- The size of the global oral care and toothpaste industries
- Toothpaste shares in UBS Evidence Lab-surveyed countries (U.S., Brazil, China and India)

Sizes of the global oral care and toothpaste industries

Global Oral Care sales totaled $47 billion in retail sales for fiscal 2019. Toothpaste represents over half of the global oral care industry with $24 billion in sales and is a higher margin category.

Figure 10: Global Oral Care Industry

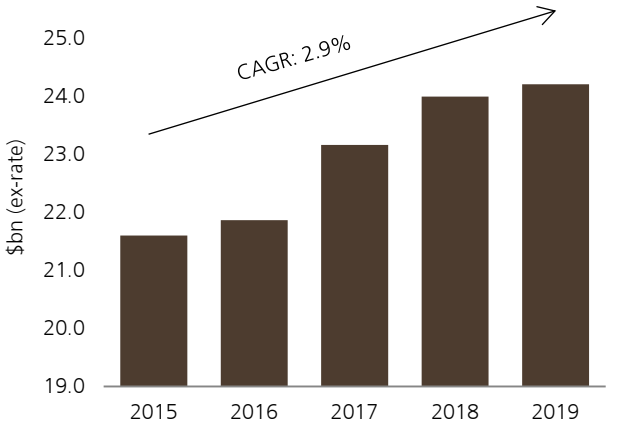


Source: Euromonitor, UBS Analysis

Oral Care Industry Revenue Trends Have Grown at a 3-4% CAGR

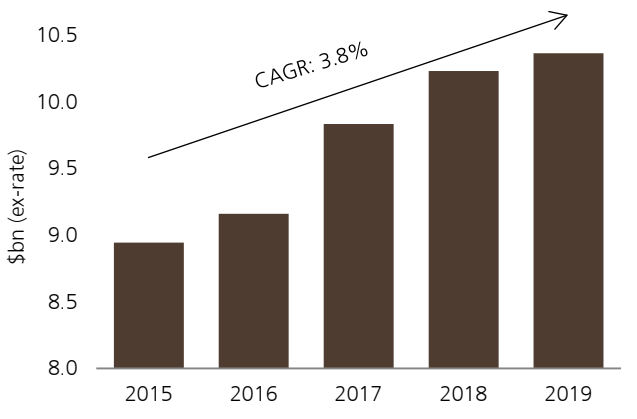
Within the global oral care universe, toothpaste offers steady and predictable growth potential (+2.9% 4-year CAGR), with UBS Evidence Lab-surveyed countries growing at an additional ~1 pp (+3.8% 4-year CAGR).

Figure 11: Global Toothpaste sales 4-year CAGAR



Source: Euromonitor, UBS analysis

Figure 12: Toothpaste 4-year CAGR in surveyed countries



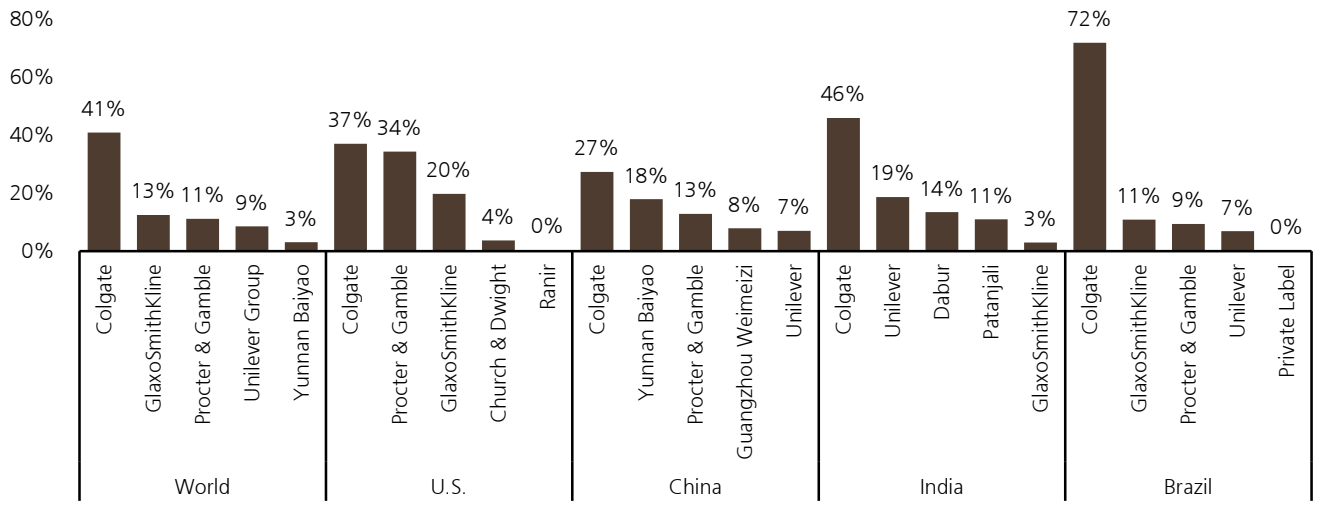
Source: Euromonitor, UBS Analysis

Global Toothpaste Shares

Colgate is the category leader, but share has slipped in recent years

Per Euromonitor data, Colgate holds a leading position in global toothpaste share at ~41%. In Colgate's 10K filing, the company states it is has a #1 global share position in toothpaste and #1 global share position in manual toothbrushes at 31.6% (per Colgate-Palmolive Company 2019 Annual Report). At a global level, CL value share has declined in recent years as competition has capitalized on local trends in growth markets such as China, India and Brazil.

Figure 13: Global Toothpaste Market Shares by Corporation (2019), using Euromonitor data



Source: Euromonitor, UBS Estimates

This UBS Evidence Lab survey helps us drill down further to unpack the performance of individual brands within multi-national portfolios. Figure 14 provides a summary of the brands in MNC portfolios, where similarly-named sub-brands are rolled-up together. For example "Colgate Total 12," "Colgate Max Fresh," and "Colgate Dental Cream" are all included under the "Colgate" brand name.

Figure 14: Global Toothpaste Brands by Corporation Ownership

Colgate-Palmolive	Procter and Gamble	GalxoSmithKline	Church & Dwitght	Unliver	Clorox	Independent
Colgate	Crest	Sensodyne (+)	Arm & Hammer	Signal	Burt's Bees	Patanjali
Darlie	Oral-B	Aquafresh	AIM	Close-Up (*)		Yunnan Baiyao
Hello		Pardontax		Pepsodent (*)		
Tom's of Maine						
Sorriso						
Elmex						

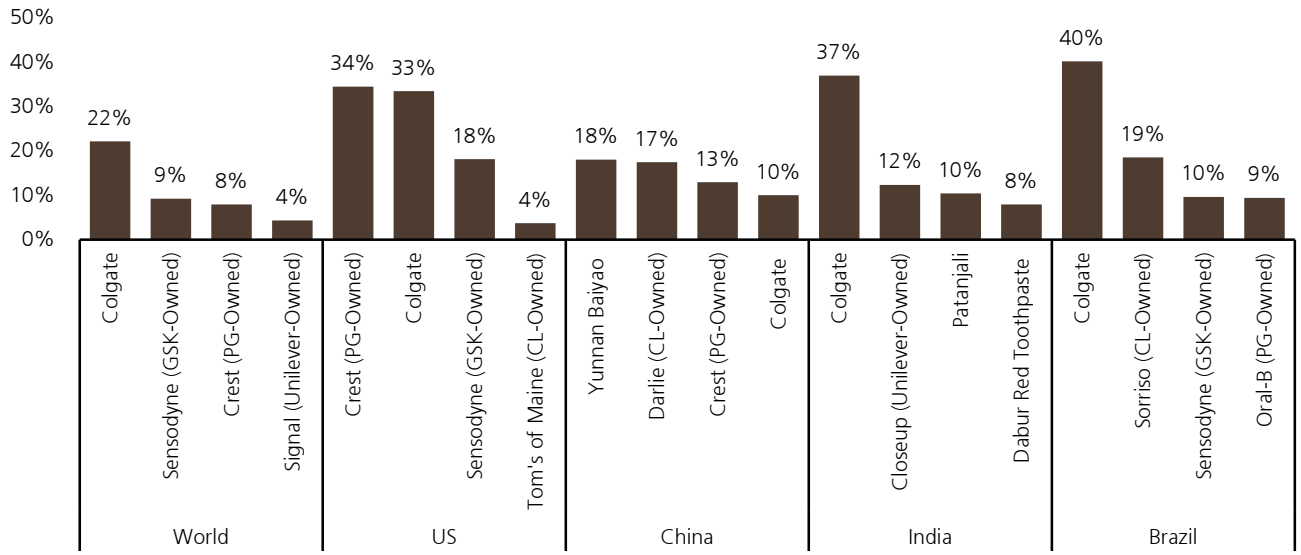
(+) Licensed to HUL in India

*Licensed to CHD in NA

Source: Company Materials, UBS Analysis

Figure 15 breaks out global market share by these major brands. These are the brands for which UBS Evidence Lab respondents were asked to provide feedback.

Figure 15: Global Toothpaste Market Shares by Brand Name (2019), Euromonitor



Source: Euromonitor, UBS Analysis

UBS Evidence Lab Toothpaste Survey

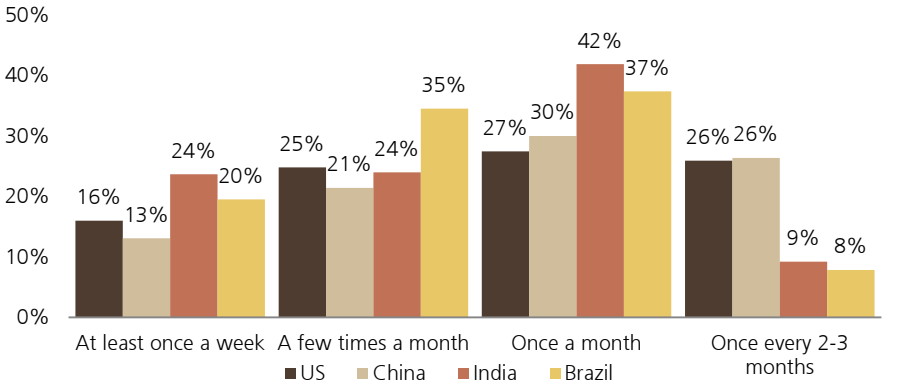
This consumer survey provides insight into toothpaste purchase frequency, occasions to try new brands, product satisfaction, and price elasticity.

Consumer responses identify product attributes as the driving factor for purchase decisions, more so than price, promotional offerings or packaging.

Purchase frequency and loyalty

Across the surveyed countries, toothpaste purchase frequency is typically a semi-monthly cycle. Purchase frequency can vary greatly by region as pack sizes differ by market, especially in emerging markets such as India.

Figure 16: "How Frequently Do You Purchase Oral Care products?"

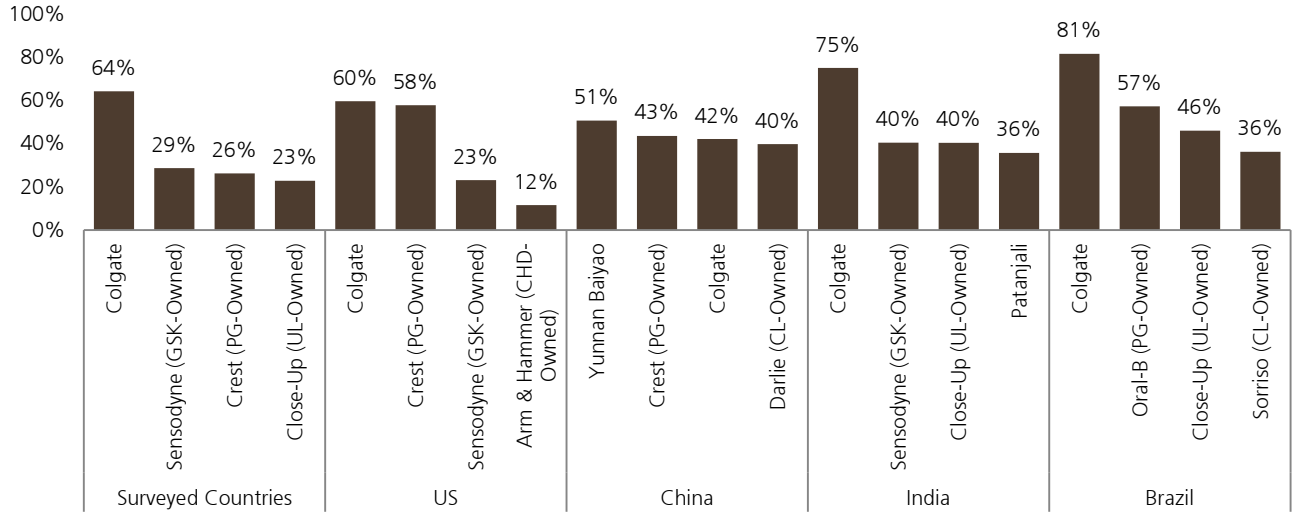


Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Identifying Most Frequently Purchased Brands by Market

Per the UBS Evidence Lab survey, Colgate's namesake brand proved the most frequently purchased toothpaste on a global basis and in most surveyed markets, with the exception of China where Yunnan Baiyao is most popular. These survey responses are consistent with Euromonitor retail sales data.

Figure 17: "Which toothpaste brands have you bought in the last 6 months?"



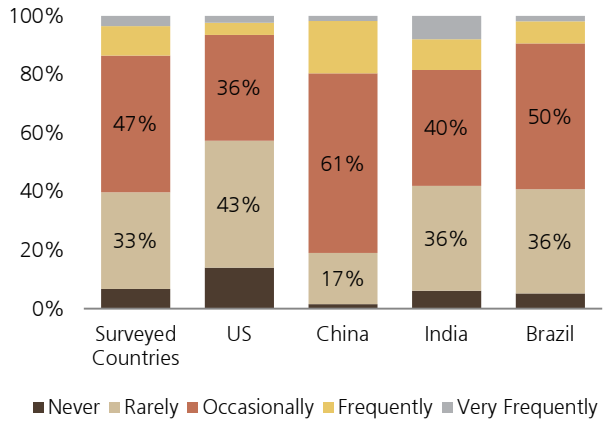
Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Brand Loyalty: Toothpaste is a relatively sticky product category

The UBS Evidence Lab survey provides a unique look into oral care market drivers through a survey of consumer insight. The key take from this line of survey questions is that respondents are often brand loyal for toothpaste products relative to other home and personal care categories.

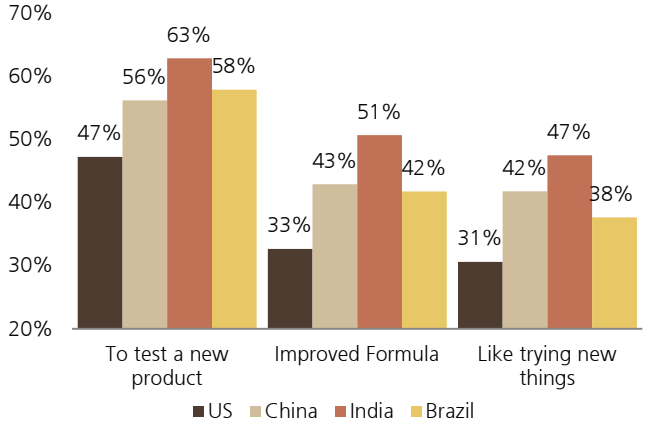
Per Figure 18, the majority of surveyed consumers indicate they "Rarely" or "Occasionally" buy toothpaste from a different brand. And response data in Figure 19 shows that when consumers do switch toothpaste, it is often to try an improved formulation and/or new product line.

Figure 18: "How often do you buy toothpaste from a new or different brand?"



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 19: "What are the reasons why you buy toothpaste from a new or different brand?"

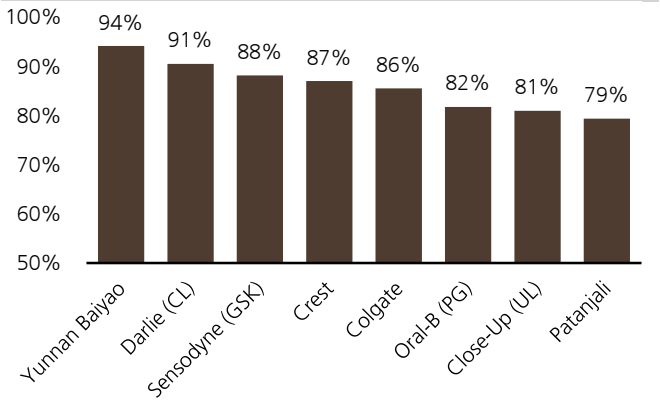


Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Loyalty traits and new product sampling insights by region

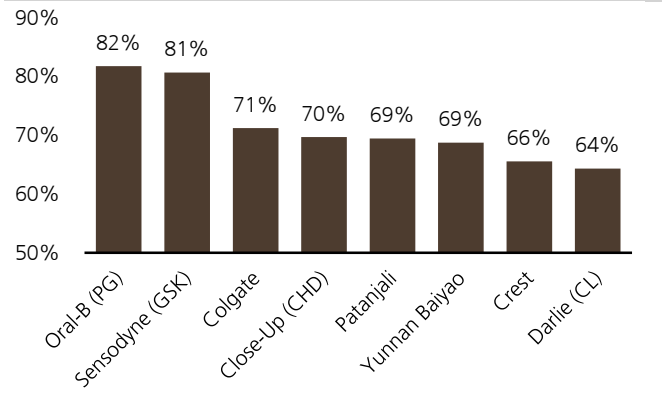
Brand loyalty was a common theme in all surveyed countries: a large majority (80-94%) of users were likely to continue using the same brand of toothpaste in the coming year (Figure 20). Similarly, a surprisingly high percentage of respondents were very to act as advocates for their brand to friends and colleagues (Figure 21).

Figure 20: "In the next 12 months, how likely are you to continue using this toothpaste?" (Surveyed Countries)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Somewhat Likely" and "Very Likely"

Figure 21: "How likely are you to recommend this toothpaste to a friend or colleague?" (Surveyed Countries)

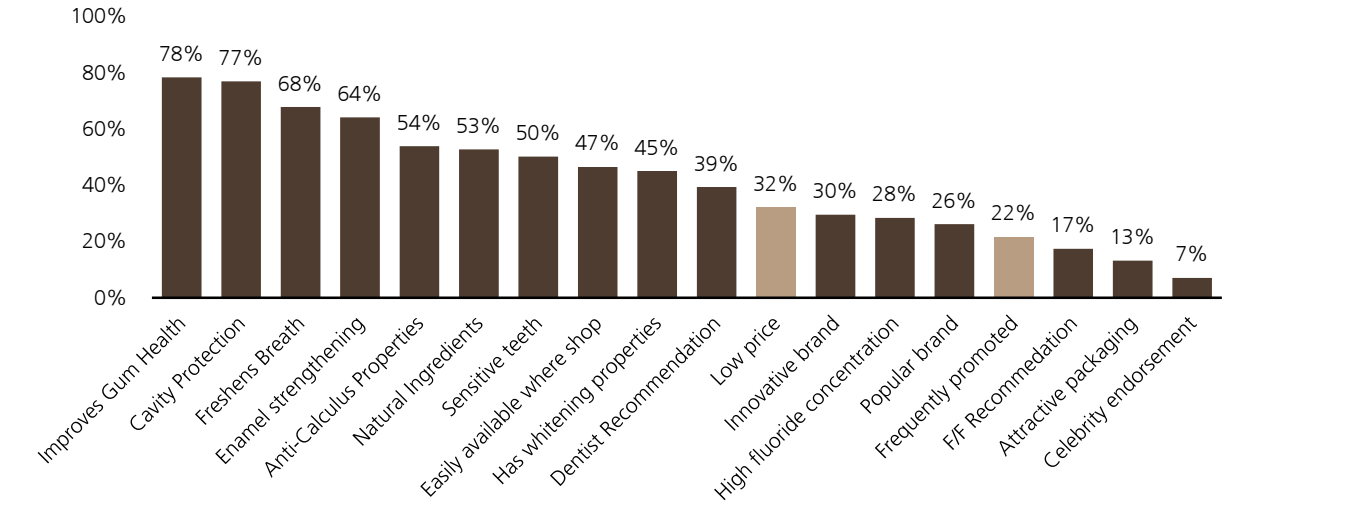


Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of 8-10 on a scale of 10

Purchase Decisions are Attribute Driven, Price is Secondary

In this section we breakdown the key purchase considerations for purchasing toothpaste to better understand the drivers in consumer satisfaction. Unpacking these consumer insights helps explain market dynamics across the US, India, China and Brazil markets. Global survey data show that consumers value toothpaste attributes and performance in the following rank order (Figure 22):

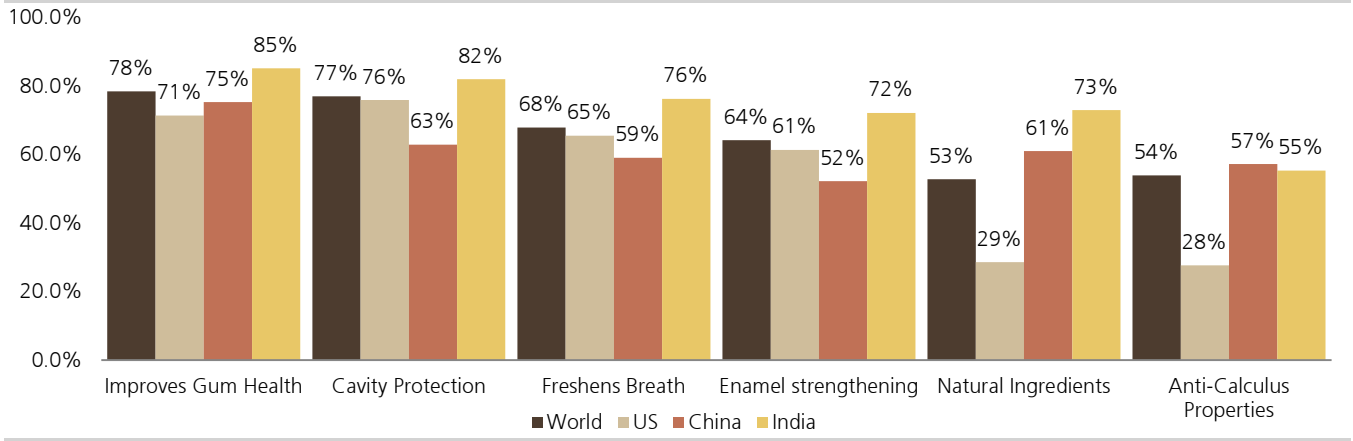
Figure 22: "How important is each attribute when selecting which brand of toothpaste you buy?"(Global Survey)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Very Important"

Across the US, Brazil, China and India-- consumers seek out gum health, cavity protection, breath freshening and enamel strengthening qualities. Anti-calculus properties and natural ingredients also ranked highly but with more dispersed results at a country level. Surprisingly absent from the top of consumer priorities are price, promotion, and packaging.

Figure 23: "How important is each attribute when selecting which brand of toothpaste you buy?"

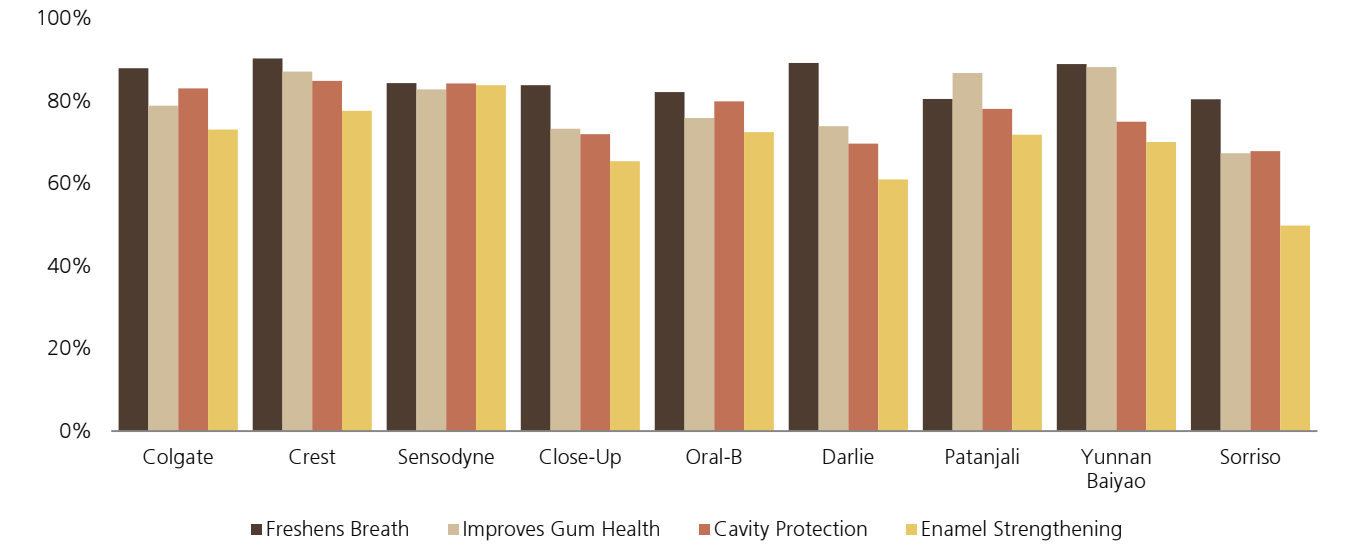


Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Very Important"

We have selected Colgate, Crest, Yunnan Baiyao, Sensodyne, Close-Up, Sorriso, Oral-B, Darlie, and Patanjali as a representative cross-section of each country's leading and preferred brands.

Across all surveyed countries, Figure 24 shows that consumers were most satisfied with the offerings from Colgate, Crest, Sensodyne, and Yunnan Baiyao. Darlie, Close-Up, and Patanjali enjoyed less popular support, but still maintained majority positive responses.

Figure 24: Survey Question: "How satisfied are you with your current toothpaste on each of the following aspects?" (All Surveyed Countries)



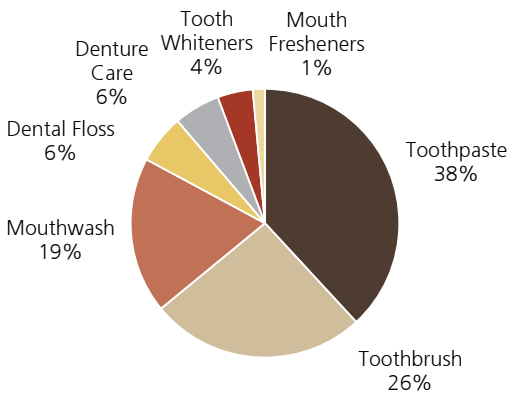
Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Satisfied" and "Very Satisfied"

Market Analysis and Regional Survey Insights

United States

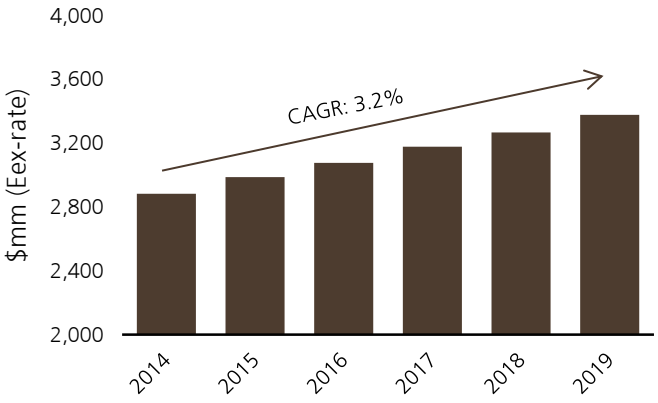
The United States oral care market is an $8.9 billion retail sales industry, with toothpaste representing ~$3.4bn in annual category sales and is the highest margin category. With a 3.2% five year toothpaste sales CAGR, we view the US is a stable market in terms of both volume and price, and sales growth is driven primarily by trade-up (mix) and pricing to match inflation (Figure 26).

Figure 25: U.S. Oral Care Industry



Source: Euromonitor, UBS Analysis

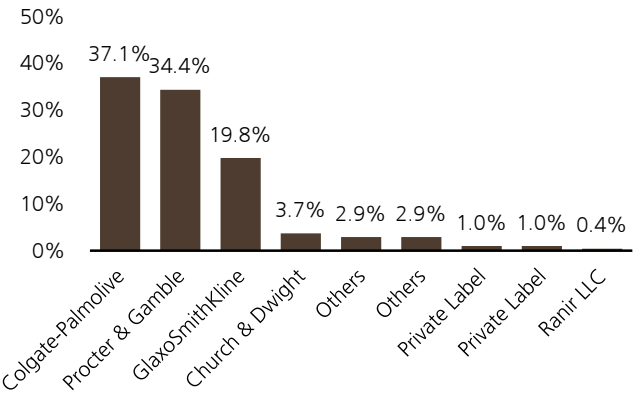
Figure 26: 5-Year Toothpaste Sales (U.S.)



Source: Euromonitor, UBS Analysis

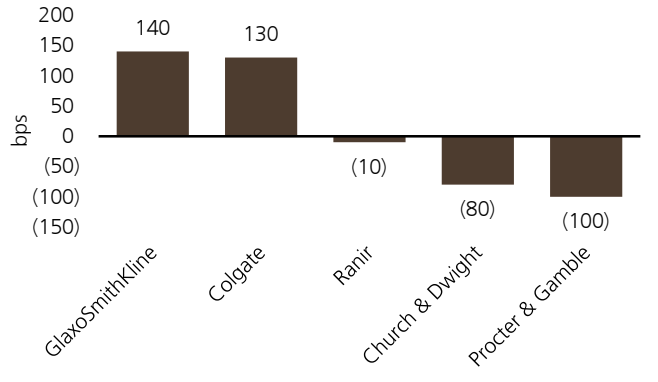
In the United States, the market is relatively consolidated with Colgate, Crest (PG) and Sensodyne (GSK) holding 91% of toothpaste market share. Relatively small share changes since 2016 are unsurprising (Figure 28), due in part to high levels of consumer education, high per-capita use and many choices for premium product offerings by CL, PG, and GSK.

Figure 27: US Toothpaste Market Shares by Company



Source: Euromonitor, UBS Analysis

Figure 28: Cumulative market share change (in bps) for US Toothpaste by Company (2016-2019), Euromonitor

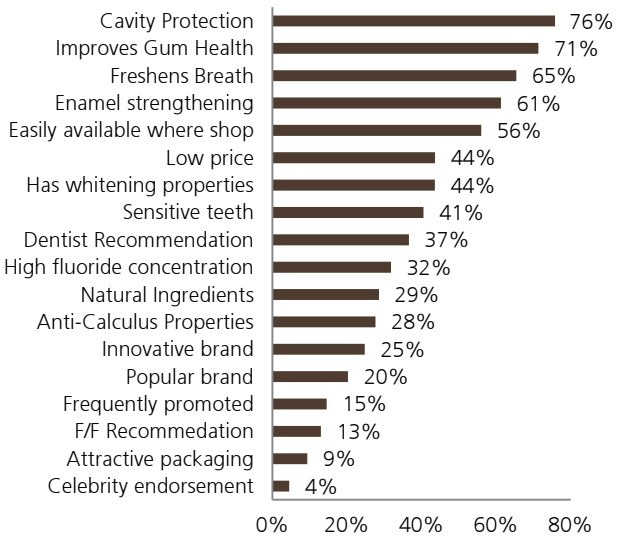


Source: Euromonitor, UBS Analysis

U.S. Toothpaste Market Insights

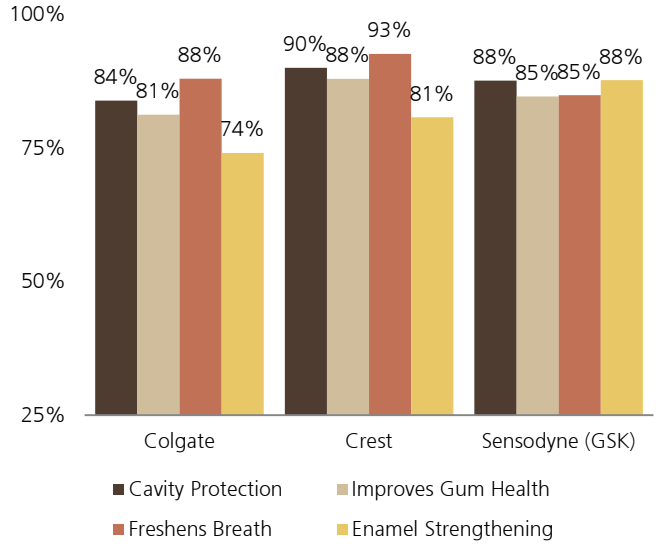
Overall, U.S. consumers appear to be satisfied with their toothpaste product offerings. Each of the leading brands polls highly with regard to the top four US-based product attributes, as seen in Figure 30.

Figure 29: "How important is each of the following attributes when selecting a toothpaste brand?" (US Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Very Important"

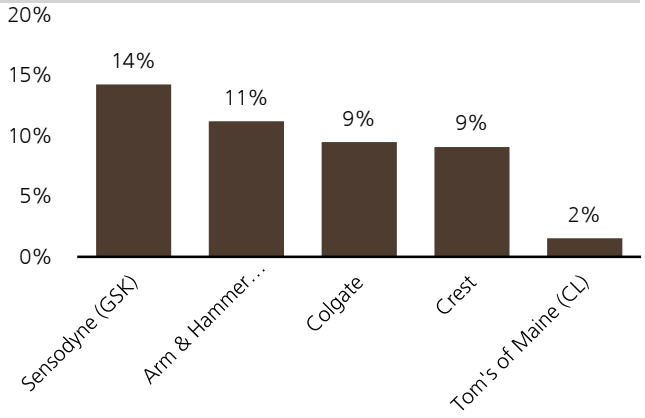
Figure 30: "How satisfied are you with your current toothpaste on each of the following aspects?" (US Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Satisfied" and "Very Satisfied"

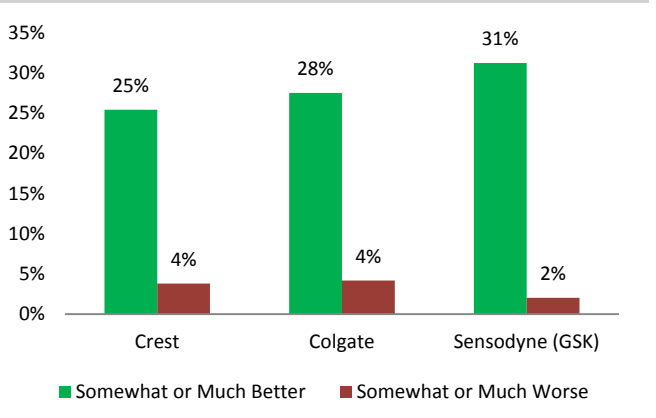
Out of the 1,000 survey respondents, only 61 indicated said they are likely to change their primary toothpaste brand, signifying a considerable level of brand loyalty (Figure 31). Survey responses in Figure 32 show that leading toothpaste brands such as Colgate, Crest and Sensodyne are improving their brand impressions with U.S. consumers on a net basis. We attribute this to enhanced value-add traits in premium categories, where consumers have been trading-up.

Figure 31: "Which brand of toothpaste are you likely to switch to?" (US Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 32: "How has your overall impression of these toothpaste brands changed compared to a year ago?" (US Consumers)



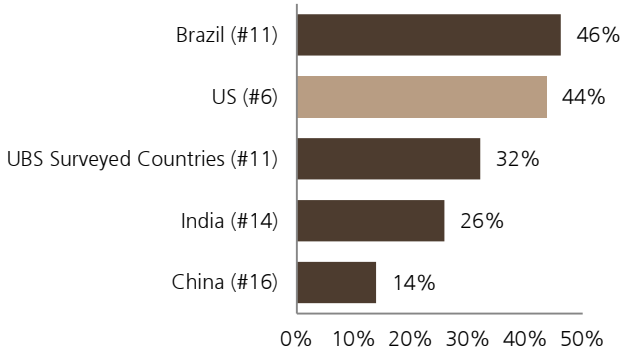
Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Consumers value performance over price discounting

In the U.S., "low prices" ranked as the #6 most important purchase consideration out of 18 decision factors. Consistent with the global / consolidated results, U.S. respondents rank 5 different performance factor considerations ahead of discount prices (see Figure 29). US toothpaste accordingly exhibits a ~1:1 price elasticity – in other words, ~10% of US respondents indicate they would stop buying a brand in response to a ~10% price increase (Figure 34).

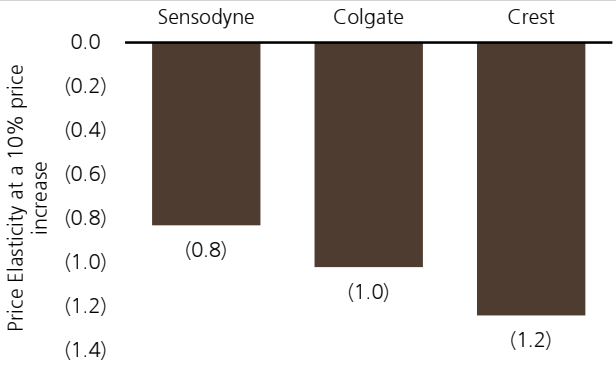
In sum, the US screens as a highly developed consumables market with a concentrated toothpaste category. We view that volume will remain steady in the US, with price and premiumization as the primary drivers for steady, modest sales growth.

Figure 33: "How important is 'Low Price' when selecting a toothpaste brand?" (All Surveyed Countries)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Very Important"

Figure 34: Price Elasticity of US Brands at a 10% price increase

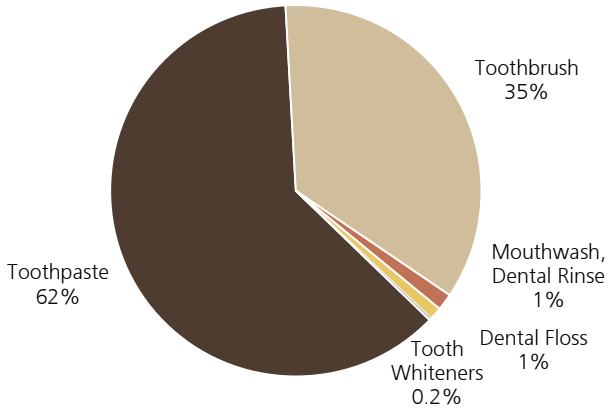


Source: UBS Evidence Lab > Access Dataset, UBS Analysis

China

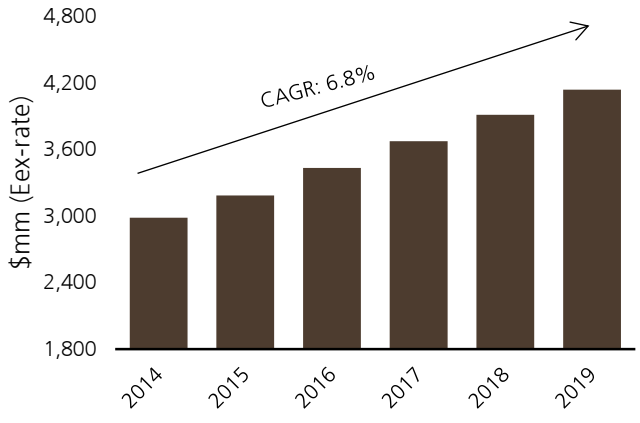
The Chinese oral care market is a $6.7 billion retail sales industry, with toothpaste representing ~$4.1bn in annual sales and is the highest margin category. Mid-single digit annual growth and a five year CAGR of 6.8% (Figure 36) are driven primarily by +MSD pricing from premiumization. Household penetration is high and causes a much more moderate +LSD volume growth proposition.

Figure 35: China Oral Care Industry



Source: Euromonitor, UBS Analysis

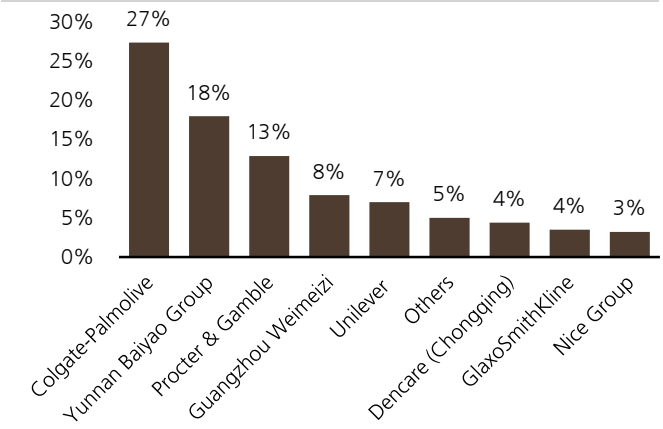
Figure 36: 5-Year Toothpaste Sales (China)



Source: Euromonitor, UBS Analysis

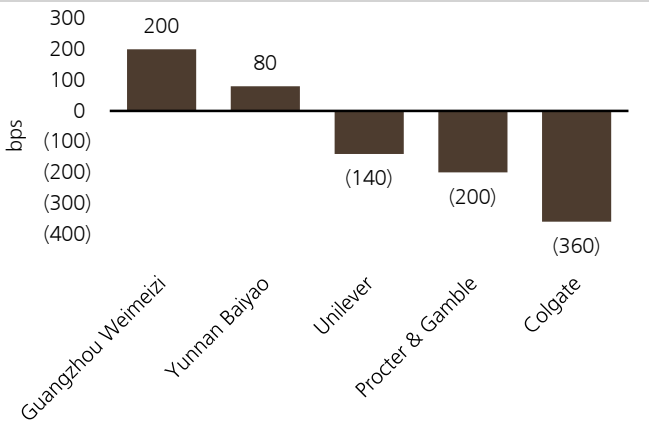
Relative to the U.S., the Chinese market has a more diverse competitive landscape with two national brands ranking in the top 5, and significant changes in share since 2016. We attribute the market's dynamism to its immense geography: product offerings and brushing habits can vary by region, and new product offerings in trade-up categories (naturals, whitening) can cause shifts in premium consumers looking for the newest/best offerings.

Figure 37: China Toothpaste Market Share by Company



Source: Euromonitor, UBS Analysis

Figure 38: Cumulative market share change (in bps) for China Toothpaste by Company (2016-2019), Euromonitor

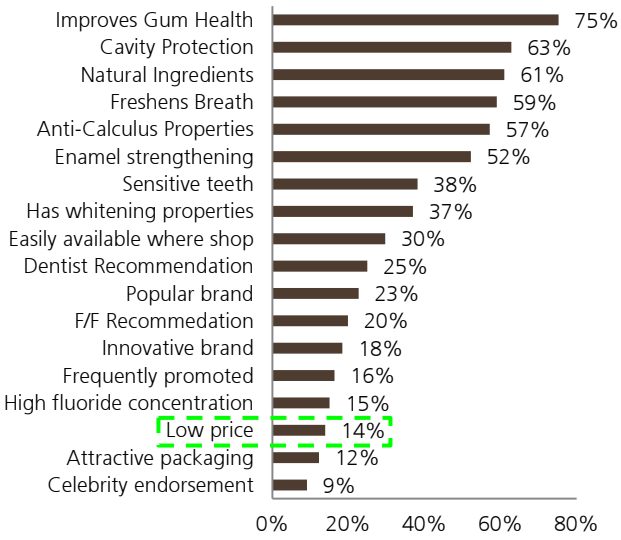


Source: Euromonitor, UBS Analysis

China Toothpaste Market Insights

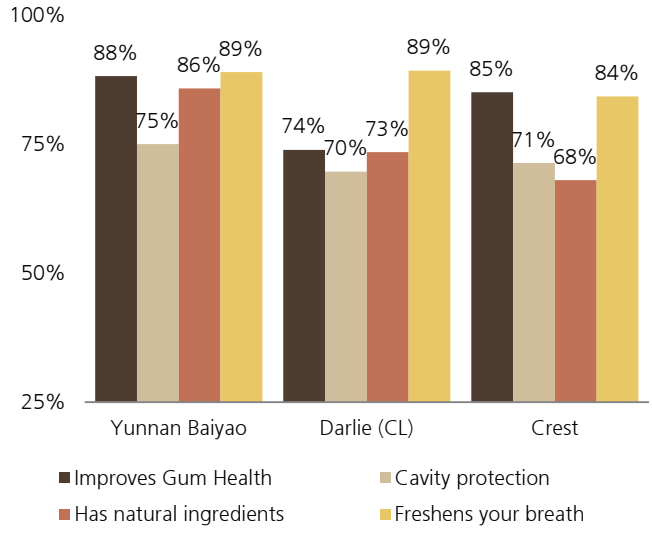
The Chinese toothpaste marketplace appears slightly more dynamic than the U.S. with respect to customer satisfaction. Consumers in China exhibit higher demand for offerings with natural ingredients (Figure 39), and are generally less satisfied with product performance (Figure 40), or are looking for the next enhanced product line.

Figure 39: "How important is each of the following attributes when selecting a toothpaste brand?" (China Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Very Important"

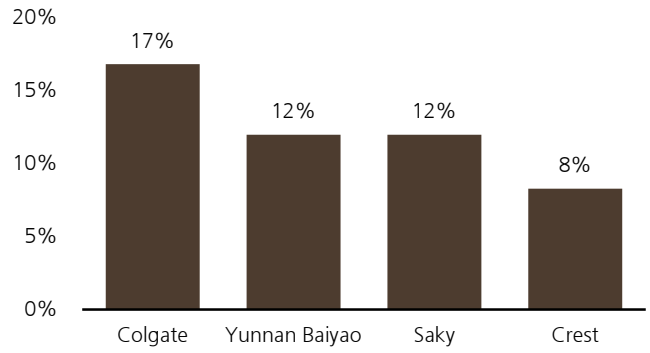
Figure 40: "How satisfied are you with your current toothpaste on each of the following aspects?" (China Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Satisfied" and "Very Satisfied"

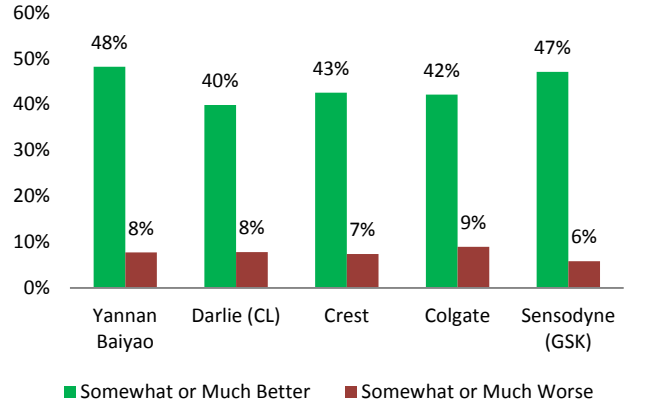
Relative to U.S. consumers, a smaller % of surveyed Chinese respondents were likely to switch brands, but when surveyed, this group showed interest in switching to Colgate (Figure 41). China respondents are pleased with leading brands and describe an improved impression/ experience across the board in recent years (Figure 42).

Figure 41: "Which brand of toothpaste are you likely to switch to?" (China Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 42: "How has your overall impression of these toothpaste brands changed compared to a year ago?" (China Consumers)

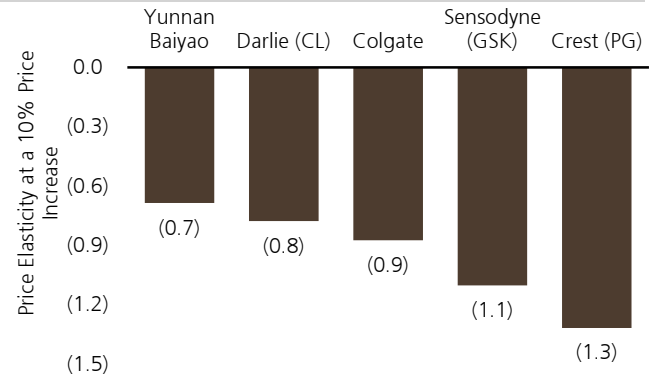


Source: UBS Evidence Lab > Access Dataset, UBS Analysis

In China, price ranked as the 16th most important purchase consideration of 18 factors--the lowest of all surveyed countries. This sentiment screened true for Yunnan Baiyao, Darlie and Colgate brands, which were price inelastic (Figure 43).

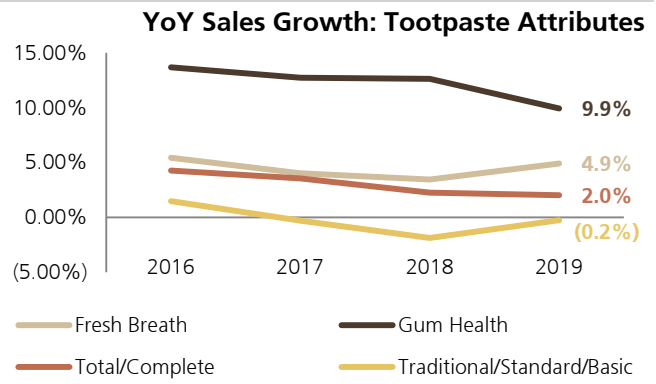
Overall, we view the Chinese toothpaste market as crowded but volume-stable. In China premiumization and trade-up represent the primary growth engine. The logistical challenges of uniform distribution in such a large geography, coupled with changing consumer preferences are likely to keep manufacturers nimble.

Figure 43: Price Elasticity of China Brands at a 10% price increase



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 44: Premium toothpastes outgrowing basic care in China

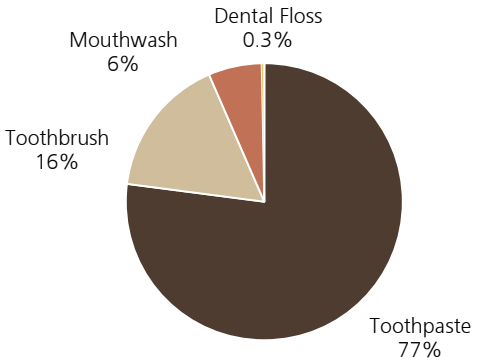


Source: Euromonitor, UBS Analysis

India

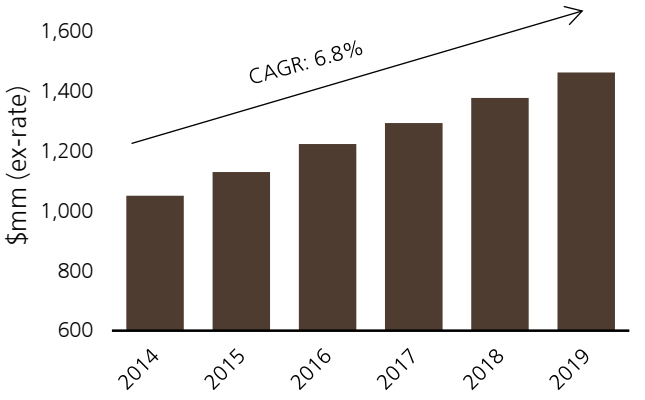
The Indian oral care market is a ~$1.9 billion retail sales industry comprised almost entirely of the toothpaste category at ~$1.5bn. Similar to China, cultural norms on daily brushing result in lower per-capita consumption, but lower household penetration in India drives +mid single digit YoY volume growth. However, lack of premiumization keeps price growth in a low single digit range and results in a 5-year CAGR almost identical to China (Figure 46).

Figure 45: India Oral Care Industry



Source: Euromonitor, UBS Analysis

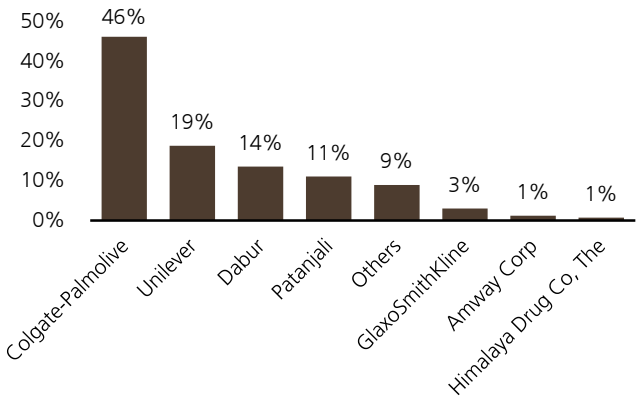
Figure 46: 5-Year Toothpaste Sales (India)



Source: Euromonitor, UBS Analysis

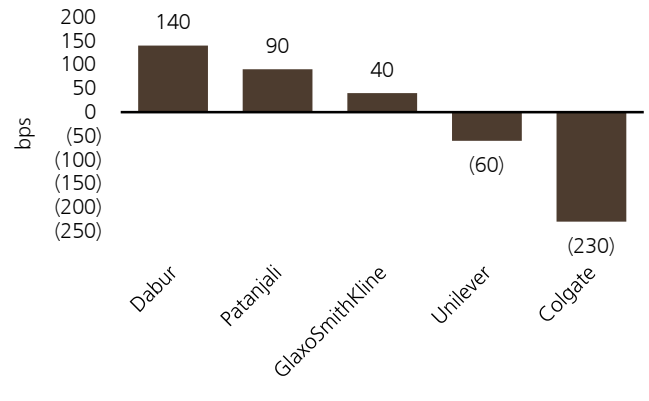
Colgate owns an outsized competitive lead in India with 46% share, leading Unilever by 27pp, followed by national brands Dabur (~14% share) and Patanjali (~11% share). However, national brands Dabur and Patanjali have recently gained share through popular, natural-ingredient offerings offered below premium price points (Figure 48).

Figure 47: India Toothpaste Market Share by Company



Source: Euromonitor, UBS Estimates

Figure 48: Cumulative market share change (in bps) for India Toothpaste by Company (2016-2019), Euromonitor



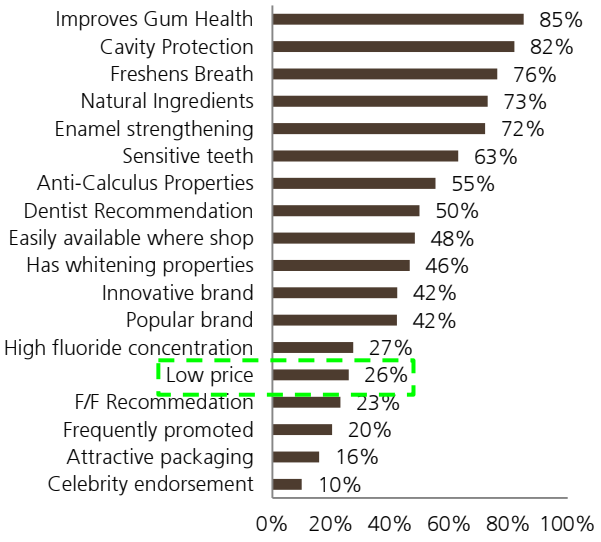
Source: Euromonitor, UBS Analysis

India Toothpaste Market Insights

Of all surveyed countries, responses in India showed the lowest levels of consumer satisfaction with leading brands Close-Up (UL) and Patanjali. Unlike China, where the top independent national brand leads in satisfaction categories, the top

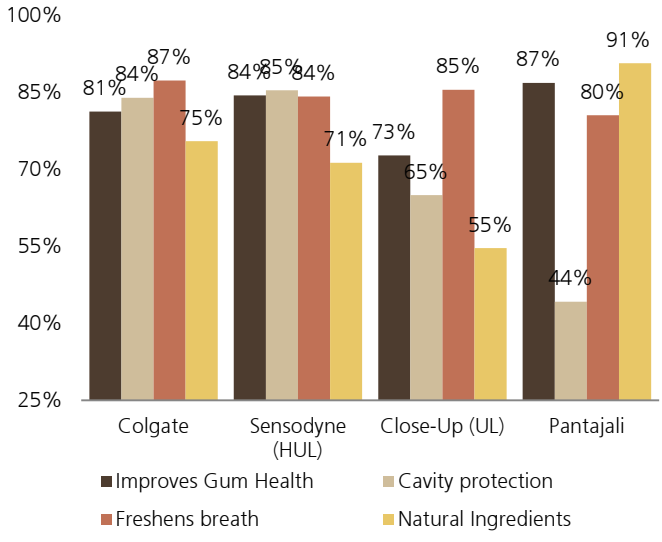
national brand in India (Patanjali) only leads in two of the four most important attributes.

Figure 49: "How important is each of the following attributes when selecting a toothpaste brand?" (India Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Very Important"

Figure 50: "How satisfied are you with your current toothpaste on each of the following aspects?" (India Consumers)

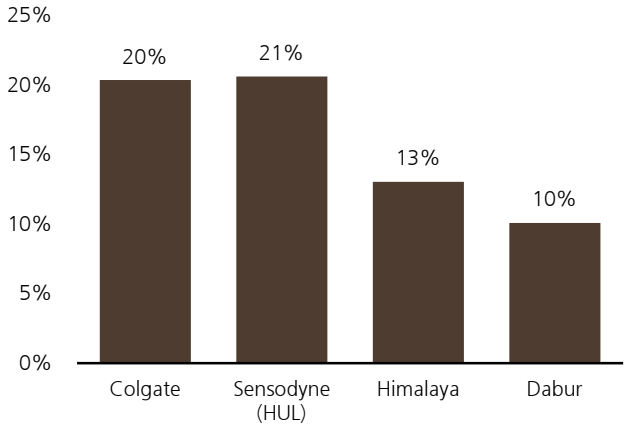


Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Satisfied" and "Very Satisfied"

Relative to other regions, a slightly larger (~8%), but still minority group of Indian respondents expressed willingness to switch brands, highlighting that toothpaste preferences are somewhat sticky across different geographic regions (Figure 51).

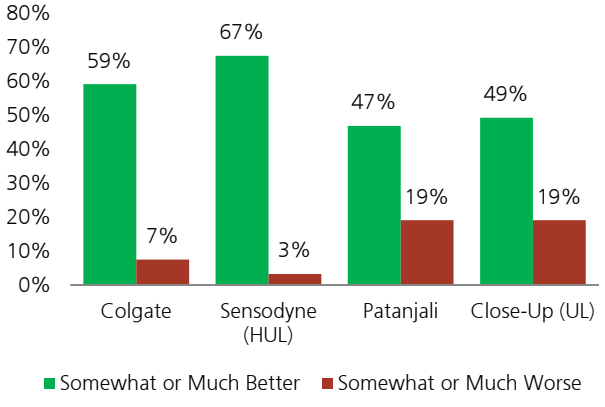
Sensodyne (HUL) is not a majority player in India with 3% of market share, but polled high in consumer satisfaction, appeared as a preferred brand to switch to, and is trending very positively in consumer impression (Figure 52). The national brand Patanjali received fewer positive impressions, and more negative impressions than any other Indian toothpaste, and consumers were not likely to switch to it.

Figure 51: "Which brand of toothpaste are you likely to switch to?" (India Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 52: "How has your overall impression of these toothpaste brands changed compared to a year ago?" (India Consumers)

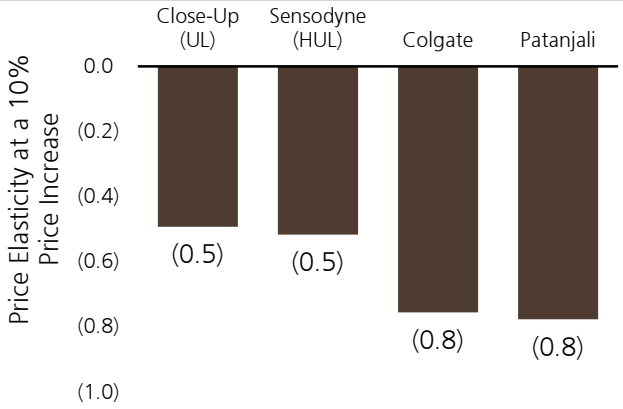


Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Low Prices ranked as the 14th most important purchase consideration of 18 decision criteria in India. It is the only surveyed country that showed widespread price inelasticity among leading brands and the only surveyed country where the leading national brand did not benefit the most from a proposed price increase (Figure 53).

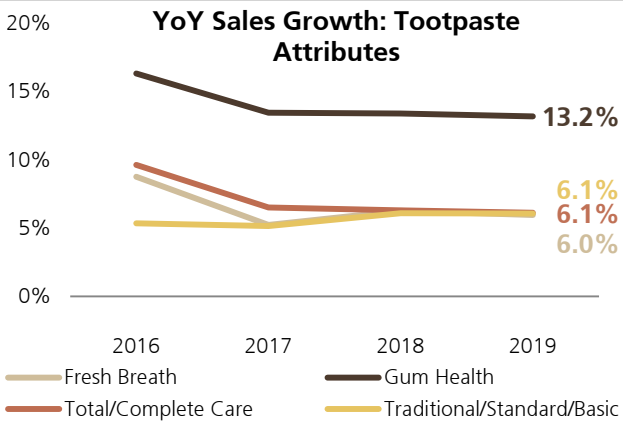
In summary we view the Indian toothpaste market as concentrated with steady positive low single digit volume growth, and an outsized potential for price growth that could result from premiumization of natural ingredients (Figure 54).

Figure 53: Price Elasticity of India Brands at a 10% price increase



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 54: Steady growth for all toothpaste types, Gum Health a clear winner in India

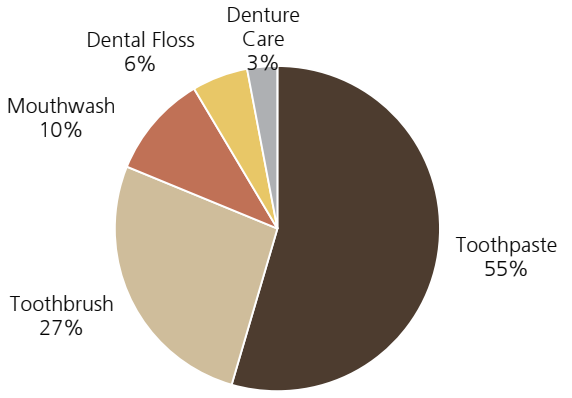


Source: Euromonitor, UBS Analysis

Brazil

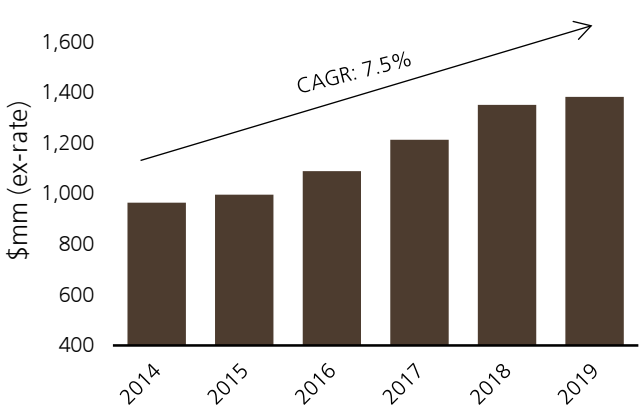
The Brazilian oral care market is a ~$2.5 billion retail sales industry, with toothpaste representing ~$1.4bn in annual category sales. Pre-COVID trends indicate positive low to mid-single digit YoY growth in both volume and pricing, resulting in an outsized-to-industry 7.5% 5-year CAGR. The Brazilian market is still largely segmented, with regional trends in usage and brand availability. We expect positive volume benefits as CL adds an outreach program in Sao Paulo to provide oral health education to 3.5MM children, and from consumers increasingly taking advantage of trade-up performance offerings.

Figure 55: Brazil Oral Care Industry



Source: Euromonitor, UBS Analysis

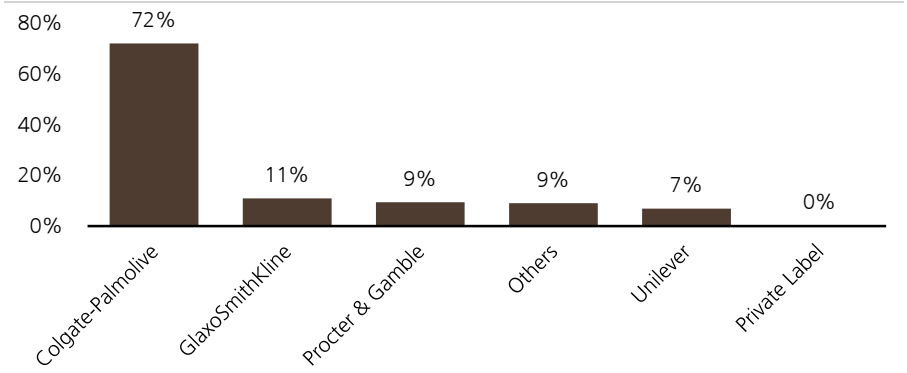
Figure 56: 5-Year Toothpaste Sales (Brazil)



Source: Euromonitor, UBS Analysis

Of all surveyed countries, Colgate has the greatest share lead in Brazil (~72%), followed by GSK (~11%) and Procter & Gamble (~9%). Oral-B (PG) has built share in Brazil by providing a mid-priced alternative to leading Colgate brands, while Colgate and Sorriso have yielded share annually since 2016.

Figure 57: Brazil Toothpaste Market Share by Company

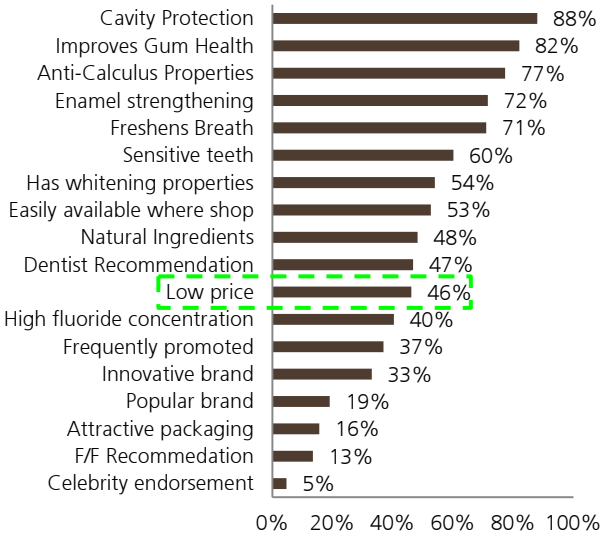


Source: Euromonitor, UBS Analysis

Brazil Toothpaste Market Insights

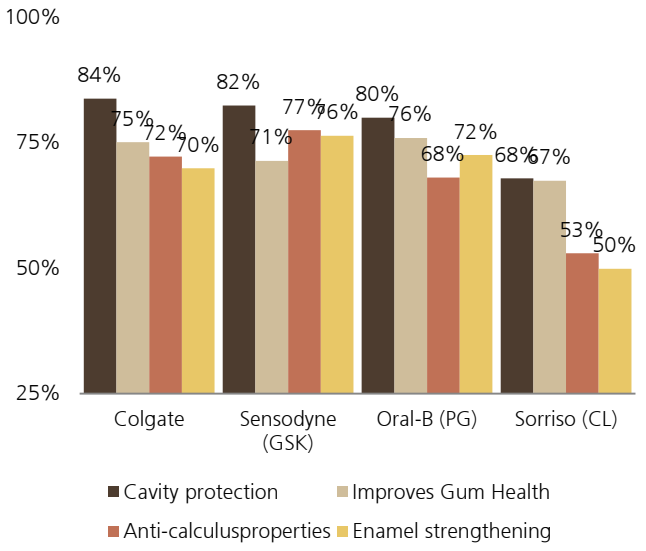
The top three brands in Brazil (Colgate, Sensodyne, Oral-B) enjoyed roughly average consumer satisfaction, while the Colgate brand Sorriso received significantly less support for its anti-calculus and enamel-strengthening properties (Figure 59).

Figure 58: "How important is each of the following attributes when selecting a toothpaste brand?" (Brazil Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Very Important"

Figure 59: "How satisfied are you with your current toothpaste on each of the following aspects?" (Brazil Consumers)

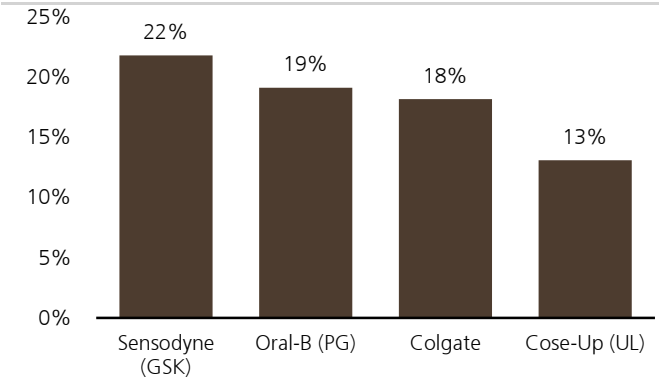


Source: UBS Evidence Lab > Access Dataset, UBS Analysis
Note: Responses of "Satisfied" and "Very Satisfied"

Brazil had the highest proportion (~11%) of consumers likely to switch brands, but lacked any identifiable majority for a preferred brand (Figure 60). Over the last year, consumers' impressions of Colgate (namesake), Sensodyne, and Oral-B

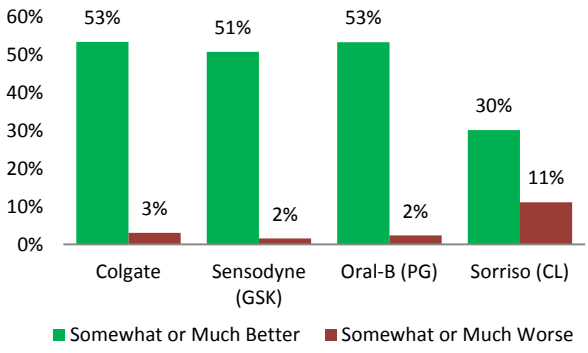
showed net improvement, but respondents had lower relative positive impressions for the Sorriso brand (Figure 61).

Figure 60: "Which brand of toothpaste are you likely to switch to?" (Brazil Consumers)



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 61: "How has your overall impression of these toothpaste brands changed compared to a year ago?" (Brazil Consumers)

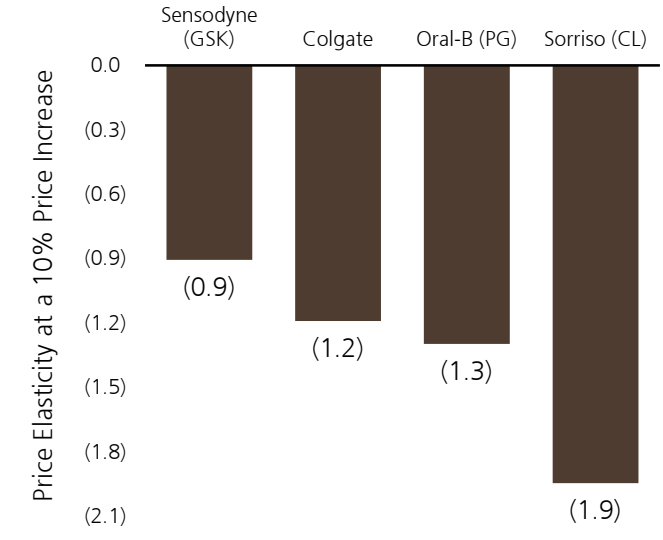


Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Brazil respondents ranked "Low Price" as the #11 most important factor out of 18 performance characteristics with ~46% of the survey respondents regarding it as "Very Important" (Figure 58). However, Brazilian consumers were the most sensitive to price increases out of the surveyed countries and results suggest that Sorriso is the most elastic leading brand.

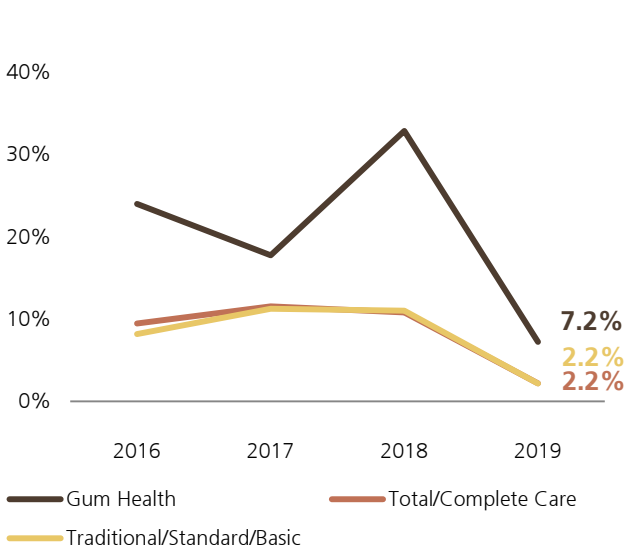
Overall we have a favorable view for toothpaste sales growth in Brazil driven by growing comps of mid-level offerings, new offerings at premium price points, and increased daily usage in emerging regions of the country.

Figure 62: Price Elasticity of Brazil Brands at a 10% price increase



Source: UBS Evidence Lab > Access Dataset, UBS Analysis

Figure 63: Brazil Toothpaste Sales YoY% chg



Source: Euromonitor , UBS Analysis

**UBS Evidence Lab* *is a sell-side team of experts, independent of UBS Research, that work across 12 practice areas and 45 specialized labs creating insight-ready datasets. The experts turn data into evidence by applying a combination of tools and techniques to harvest, cleanse, and connect billions of data items each month. Since 2014, UBS Research Analysts have utilized the expertise of UBS Evidence Lab for insight-ready datasets on companies, sectors, and themes, resulting in the production of over 6,000 differentiated UBS Research reports. UBS Evidence Lab does not provide research, investment recommendations, or advice, but provides insight-ready datasets for further analysis by UBS Research and by clients.*

For this report, UBS Evidence Lab surveyed 3,920 US, Brazil, China and India (1,000 for US, China, India and 920 for Brazil) toothpaste consumers age 18-65+ who are decision makers for the oral care products purchases. This report leverages the Global Toothpaste Consumer Survey asset. This marks the first iteration of the survey, conducted online from October 24th to November 4th, 2019. The sample was weighted to reflect the age and gender population distributions across the countries. The margin of error in each country is approximately +/- 2.59% at 90% confidence level

Valuation Method and Risk Statement

Risks to our price targets across our U.S. HPC/Beverages/Tobacco/Food coverage could include any material changes in:

(a) General consumer preferences and/or government regulation pertaining to the consumption of HPC/Beverages/Tobacco/Food products (including taxation, restrictions on sales, the introduction or subsidization of substitute products, etc.);

(b) Government regulation with respect to commerce and/or taxation in general;

(c) Macroeconomic trends, interest rate, and/or credit environments within any of our companies' key markets;

(d) Competitive intensity between HPC/Beverages/Tobacco/Food companies within any of our companies' key markets;

(e) Customer (i.e., retailer) or supplier relationships as related to our coverage companies;

(f) Commodity cost and/or foreign exchange fluctuations;

(g) Weather, as related to Beverage/Food consumption and certain HPC categories (e.g., sun care, batteries/lighting, etc.);

(h) Our companies' own ability to execute, whether with respect to R&D, sales and marketing, and/or ongoing productivity efforts;

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Valuation Method: We utilize a P/E, EV/EBITDA methodology supported with a DCF model for HPC and Food categories.

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Buy	FSR is > 6% above the MRA.	48%	32%
Neutral	FSR is between -6% and 6% of the MRA.	40%	28%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2020.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Church & Dwight[16]	CHD.N	Neutral	N/A	US$77.11	23 Jun 2020
Colgate-Palmolive[16]	CL.N	Buy	N/A	US$72.92	23 Jun 2020
Colgate-Palmolive India	COLG.BO	Sell	N/A	Rs1,388.15	24 Jun 2020
Dabur India Ltd.	DABU.BO	Buy	N/A	Rs454.75	24 Jun 2020
GlaxoSmithKline[16]	GSK.L	Buy	N/A	1,635p	24 Jun 2020
Hindustan Unilever	HLL.BO	Buy	N/A	Rs2,130.60	24 Jun 2020
Procter & Gamble[16]	PG.N	Neutral	N/A	US$117.73	23 Jun 2020
Unilever Plc[3, 4, 7, 14, 16]	ULVR.L	Neutral	N/A	4,480p	24 Jun 2020
Yunnan Baiyao Group	000538.SZ	Buy	N/A	Rmb94.10	24 Jun 2020

Source: UBS. All prices as of local market close.
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