

FROST & SULLIVAN

BEST PRACTICES

AWARDS

FROST & SULLIVAN

2020 BEST PRACTICES AWARD



biochemistry

**2020 GLOBAL
PERSONAL CARE ACTIVE INGREDIENTS
COMPANY OF THE YEAR AWARD**

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Background and Company Performance

Industry Challenges

Globally, the personal care industry has witnessed a boom due to the cumulative impact of factors such as rising disposable income, consumer awareness, and an increase in the number of affordable brands.

Although the personal care industry is fragmented, innovation on active ingredients used in the final product has been relatively low. This can largely be attributed to stricter and multiple regulations for the raw materials (active ingredients) used in the final product formulation. Regional regulatory agencies are not actively involved in the product approval process but they closely monitor the use of ingredients and maintain a list of restricted ingredients for personal care products. For instance, the Scientific Committee on Consumer Safety (SCCS) reviews the ingredients in the final cosmetic product formulation to ensure that the product is safe and not harmful for consumers.

Additionally, the industry is witnessing a shift in consumer behavior and purchasing patterns. Consumers are seeking products with plant-based and sustainable active ingredients as they are less toxic and extend better nourishing properties.

Due to the aforementioned challenges, most of the active ingredient manufacturers prefer blending and combining existing ingredients to enhance the benefits of their products rather than spending on ingredient innovation. However, a few active ingredient manufacturers have the experience and technical knowledge to overcome these challenges.

Visionary Innovation and Performance/Customer Impact

Addressing Unmet Needs

Mibelle AG, headquartered in Switzerland and part of the Migros Group, was founded in 1961 to manufacture personal care and beauty products. The group currently operates through its five business units which include personal care, home care, nutrition, brands, and biochemistry.

Mibelle AG Biochemistry has always been committed to developing consumer-oriented products, which has led to the market success of its products. With the rising demand for feel-good products, anti-aging has emerged as an important market segment and Mibelle has been able to successfully deliver products in line with the expectations of the consumers.

The development and launch of the company's Alpine Rose Active line of products to fight skin aging is based on the concept of senolytics. Indeed, this line is a testament to Mibelle's expertise in recognizing and anticipating the dynamic needs of the cosmetic industry. This line of products uses a natural senolytic agent, the extract from Alpine rose leaves from the Swiss Alps, to eliminate senescent cells, which are the cells responsible for aging, without affecting the neighboring cells in the dermal layer of the skin. This halts the skin's ageing process while also rejuvenating it and increasing the skin's elasticity. This product also meets the rising demand in the market for natural and sustainable

products over harsh chemicals that are harmful for both the environment and the skin. Mibelle is a pioneer with regards to using senolytics to delay skin aging in cosmetic applications, which has helped the company acquire a leading positioning in the market.

Visionary Innovation

Mibelle AG Biochemistry has consistently been researching natural sources to use them to create highly functional and trend-oriented active ingredients. Mibelle takes pride in its team of dedicated research specialists that are always innovating new products that set it apart from its peers.

For instance, in response to the growing interest in phytocannabinoids, Mibelle has introduced an encapsulated cannabidiol (CBD) product, the Lipobelle™ Pino C. Other players in the market have had limited success with CBD in spite of its potential benefits for the skin because CBD is not soluble in water. However, Mibelle has bypassed this limitation with the Lipobelle™ Pino C by encapsulating the CBD into a nanoemulsion using hemp oil, which makes it water-soluble and stable in cosmetic formulations. Its combination with Pino C also helps the product fight inflammation. Lipobelle™ Pino C exploits the anti-inflammatory and regenerating effects of CBD for cosmetic benefits such as easing facial tension, reducing inflammation, and regenerating tissue after a wound. The launch of Lipobelle™ Pino C has established Mibelle as a trailblazer for capturing the potential benefits of CBD for cosmetic applications such as neurocosmetics and colour corrector (CC) creams.

IceAwake™ is another example of a pioneering product. With the launch of this product, Mibelle addressed an important area of consumer lifestyle, that of sleep deprivation and its impacts on skin aging. Sleep deprivation impacts the binding immunoglobulin protein (BiP), chaperone, which assists protein folding and also prevents the accumulation of wrongly folded proteins. IceAwake™ is extracted from the bacteria *Iodobacter ssp.* and contributes to the production of the chaperone BiP, and thus improves protein folding. IceAwake™ active is the first ever product that addresses the way sleep deprivation affects skin aging by using novel extremophile microorganisms.

Blue Ocean Strategy

Mibelle AG Biochemistry is one of the leading industry participants and is known to offer innovative active ingredients, whose efficacy is supported by in-vivo and in-vitro study results. Mibelle has been a pioneer in utilizing interesting biochemical concepts for its active ingredients. In 2008, Mibelle gained a first-mover advantage and experienced substantial growth with the launch of its active ingredient PhytoCellTec™ Malus Domestica based on the plant cell culture technology PhytoCellTec™, which involved the application of stem cells in cosmetics for the very first time. This technology enabled the large-scale cultivation of plant stem cells for cosmetic applications. Mibelle has always been alert to evolving consumer attributes such as self-image, beauty consciousness, and demand for natural ingredients, and addressed them with the development of novel products to not only strengthen its existing active product portfolio but also to contribute to its revenue growth. The launch of PhytoCellTec™ in 2008 helped Mibelle strengthen and secure its

position as a leading participant and pioneer in the market. The success of this technology and the other recent innovations has allowed the company to enjoy a 15% growth rate annually.

In 2019, Mibelle utilized PhytoCellTec™ technology to launch the PhytoCellTec™ Goji, which stimulates the mesenchymal stem cell (MSC) culture with goji stem cells for enhancing face shape by preventing the skin from sagging, especially near the jawline. PhytoCellTec™ Goji's use of MSCs signals exosome production, which, in turn, improves collagen and elastin production, which minimizes wrinkles and sagging, and thus enhances the V-shape of the face. Frost & Sullivan commends Mibelle on its proactive approach to act as a pioneer by developing innovative active ingredients which address consumer demands in innovative ways and thus positions the company ahead of its competitors.

Reliability & Quality

Mibelle AG Biochemistry has a strong position in the market by virtue of its active ingredient product lines that meet the consumer expectations of quality, performance, and sustainability.

For the development of Alpine Rose Active, Mibelle collaborated with the organic farmers of the Swiss Alps. The farmers use a sustainable harvesting method by handpicking the precious leaves of the Alpine rose. Mibelle ensures that leaves are harvested only from those plants that have been exposed to natural environmental conditions, such as rough weather and high UV irradiation, since the stressed plant synthesizes higher concentrations of metabolites (adaptogens) which are necessary for the production of Alpine Rose Active. Moreover, the active ingredient is HALAL certified, COSMOS approved, and ECOCERT certified which assures customers of the superior quality standards maintained by the company.

While its peers usually shy away from investing in the innovation of new ingredients due to the concomitant challenges of strict and evolving regulations, Mibelle works closely with certification bodies to analyze the ingredients, raw materials, and processes and obtain the requisite certifications for its products. Mibelle also partners with industry experts and authorities to ensure its products meet the certification criteria.

The company collaborates with customers (personal care product manufacturers) to offer premium high-quality products that benefit the end user. Mibelle's ability to exceed the expectations of consumers in terms of quality and performance has contributed to its leading position in the market. Its implementation of best practices in the production of its ingredients demonstrates its commitment to developing high-quality products for its consumers, without hampering the environment.

Brand Equity

Recognized for its ability to introduce breakthrough active ingredients, Mibelle AG Biochemistry has carved out a niche for itself in the personal care industry. The company has consistently followed a holistic innovation approach that has enabled it to develop novel concepts and ingredients time and again.

Frost & Sullivan believes that the alignment of the product and marketing concepts with its sales and consumer strategies has positioned Mibelle ahead of its competitors. The company takes part in exhibitions and trade shows not only to showcase its newly launched products but also to increase its brand's visibility and awareness. In 2019, Mibelle attended the in-cosmetics North America trade show to launch IceAwake™ and will attend the in-cosmetics Global 2020 in October. Mibelle has also received recognition at global platforms for its innovative active ingredients, which, in turn, has had a positive impact on its brand image. In 2019, Mibelle was recognized for its active ingredients PhytoCellTec™ Goji at the in-cosmetics Global. In addition, customized sales support, close rapport with customers, and maintenance of strong partnerships with retailers have helped Mibelle establish its image as a competent market-leading brand.

Conclusion

Increasing consumer preference for sustainable ingredients and strict regulatory guidelines has impacted the innovation index of the active ingredients in the beauty and personal care industry. Mibelle AG Biochemistry, however, has been an exception in this space by consistently developing high-quality and novel active ingredients to satisfy and even exceed consumer expectations. The company successfully introduced several breakthrough sustainable active ingredients, which reflects its proactive approach in not only addressing the industry challenges but also strengthening its market position in the industry amidst tough competition.

With its strong overall performance, ground-breaking approach, and sustainable solutions, Mibelle AG has earned Frost & Sullivan's 2020 Company of the Year Award.

Significance of Company of the Year

To receive the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among non-industry peers) requires a company to demonstrate excellence in growth, innovation, and leadership. This excellence typically translates into superior performance in three key areas—demand generation, brand development, and competitive positioning—that serve as the foundation of a company’s future success and prepare it to deliver on the 2 factors that define the Company of the Year Award: Visionary Innovation and Performance, and Customer Impact).



Understanding Company of the Year

Driving demand, brand strength, and competitive differentiation all play critical roles in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation and Performance to enhance Customer Impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated each factor according to the criteria identified below.

Visionary Innovation and Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Implementation of Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

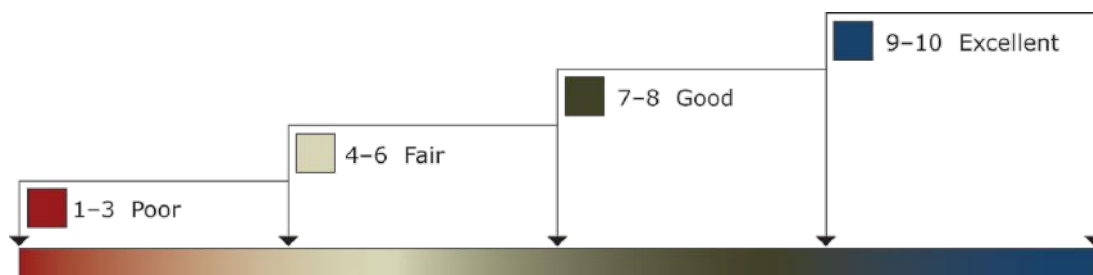
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for Mibelle AG

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows research and consulting teams to objectively analyze performance according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard considers Visionary Innovation and Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan has chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
Mibelle AG	9	9	9
Competitor 1	8	8	8
Competitor 2	7	7	7

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers’ unmet or underserved needs, and creating the products or solutions to address them effectively.

Criterion 2: Visionary Scenarios through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling first-to-market growth opportunity solutions.

Criterion 3: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy

Requirement: Strategic focus on creating a leadership position in a potentially uncontested market space, manifested by stiff barriers to entry for competitors.

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenue, revenue growth, operating margin, and other key financial metrics.

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience

Requirement: Customers feel they are buying the optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience

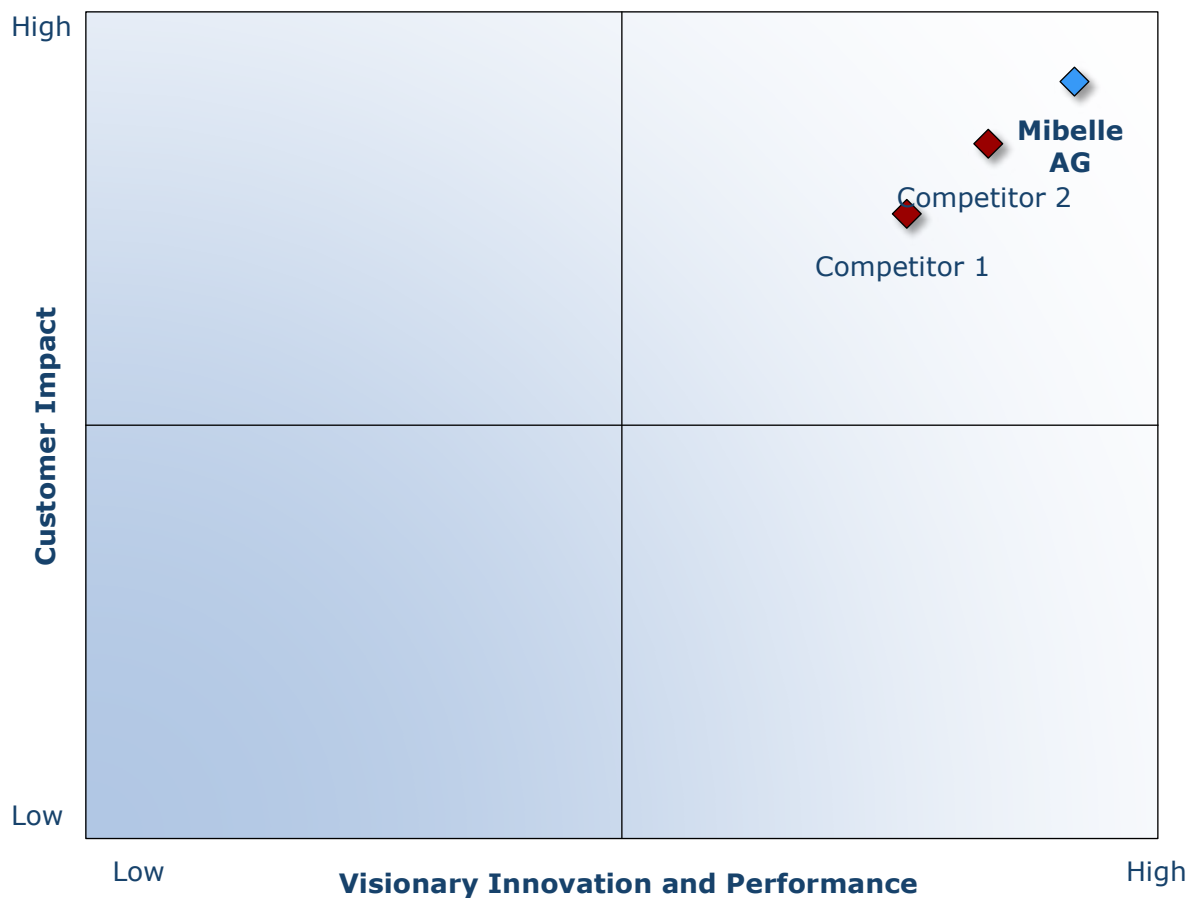
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the world	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging industries • Scan multiple regions 	Pipeline of candidates that potentially meet all best practices criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best practices criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best practices criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best practices positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best practices award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best practices criteria
9 Communicate recognition	Inform award recipient of recognition	<ul style="list-style-type: none"> • Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Upon licensing, company able to share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of the research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, resulting in errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, helps clients accelerate growth and achieve best-in-class positions in growth, innovation, and leadership. The company's Growth Partnership Service provides the CEO and the CEO's growth team with disciplined research and best practices models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on 6 continents. To join Frost & Sullivan's Growth Partnership, visit <http://www.frost.com>.