



MEDICAL INSIGHT

Physician-Dispensed Topicals

February 2019

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M.I.I Professional Biography

Michael Moretti
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Michael Moretti has served as a medical industry analyst and strategic advisor for more than 25 years. As an industry consultant, Mr. Moretti specializes in strategic business development projects and high-growth, emerging market segments. He provides custom reports and confidential market studies for a variety of clients, including global medical and pharmaceutical companies.

In 1993, Mr. Moretti founded Medical Insight, Inc., the leader in focused aesthetic market research offering comprehensive data on procedure volume and growth, revenue forecasts and new product introductions. Under Mr. Moretti's leadership, Medical Insight publishes global market studies and forecasts for major industry sectors such as facial injectables, cosmeceuticals, body shaping procedures, skin rejuvenation technologies and home-use aesthetic products. Medical Insight also sponsors executive business forums to address scientific developments and market trends for the investment community.

Mr. Moretti is the founder of *Aesthetic TV*[®], the first and only one-stop online resource for current, reliable information about cosmetic and anti-aging treatments. *Aesthetic TV* offers expert advice for consumers via interviews with the top physicians in the field, and unprecedented access to the latest beauty-enhancing procedures and products created specifically to help people look and feel their absolute best.

Mr. Moretti is also founder of *THE Aesthetic Guide*[®] – a digital and print publication featuring in-depth reports on new products, procedures and trends, reaching physicians, industry executives and investment analyst subscribers.

In 2007, Mr. Moretti debuted *THE Aesthetic Show*[™], the first multidisciplinary annual business to business trade show that brings thousands of the highest profile physicians and medical professionals together in Las Vegas to learn about the newest aesthetic procedures, products and technologies in a dynamic, interactive, educational format. For more information please visit: www.miinews.com.

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i. Methodology

This report represents the thirteenth edition of Medical Insight, Inc.'s Physician-Dispensed Topicals mini-report series. Like its predecessor, which was issued in February 2018, this report contains the latest industry news and updated market forecasts, which take-into-account recent technology, product, company, regulatory and other developments, as well as an in- depth analysis of the competitive positions of key players selling to both core and non-core aesthetic practices.

Information in this report was compiled from a wide variety of public and proprietary sources. This was cross-checked against other data, using Medical Insight's proprietary forecasting models, and synthesized into both qualitative and quantitative analyses and projections.

Public sources that were utilized include:

- - articles in trade publications, medical journals and regulatory documents;
- - articles in consumer magazines and newspapers;
- - company news releases, website information, patent documents, regulatory data, marketing materials and financial filings;
- - information from trade associations

Proprietary sources that were utilized include:

- - Medical Insight's extensive databases of industry and product information;
- - Medical Insight's recent surveys of aesthetic practices;
- - industry analyst reports;
- - exclusive interviews with, and feedback from company executives,

researchers, sales representatives, physicians, patients, consultants and other industry experts

ii. New in February 2019

Like Medical Insight's prior physician-dispensed (PD) cosmeceutical reports, this current report contains the latest industry trends, news and updated market forecasts, which take-into-account recent developments in technology, product and company histories, regulatory changes and other intelligence, as well as an in-depth analysis of the competitive positions of key players selling to both core and non-core aesthetic practices.

In addition to updated qualitative and quantitative product, manufacturer and market information, this report also includes:

- Expansion of market forecasts from 2017 – 2022 to 2018 – 2023;
- Addition of new, emerging manufacturers;
- In-depth commentary by executives and key opinion leaders in this space;
- Breakdown of different segments in this fragmented market.

Section	Executive Summary
1	

The dispensing of topical skincare and cosmeceutical products from physician offices is standard practice in a majority of dermatologic and medical aesthetics practices, as well as in physician directed med spas. As more people get aesthetic procedures the demand for pre- and post-treatment PD skincare regimens remains strong. This is mainly due to the fact that when compared with over-the-counter (OTC) products, PD products are frequently more effective in treating specific skin-related concerns. Additionally, the growing number of dispensing physicians and increases in consumer spending are expected to further stimulate revenue gains.

The main four advantages of PD professional skincare:

- PD topicals are intended to supply clinical-level results, with higher concentrations of active ingredients that are critical for good results;
- They offer more advanced formulations or the next generation of more traditional ingredients;
- While OTC products are by and large cheaper, which might deceive consumers into thinking they are getting more bang for the buck, dispensed skincare products are typically less expensive by volume and provide more benefits;
- Some dispensed products provide a method of delivery that pushes those ingredients to reach their intended targets, even the dermal-epidermal junction or dermis.

“It is an interesting channel,” stated Christina Fair, General Manager at SkinCeuticals, L’Oreal USA. “The U.S. market has seen strong growth in medical dispensing. We call it the perfect storm for our business because medical aesthetics has become more accessible and more acceptable to increasing numbers of people. In particular, more younger people are getting procedures done.”

In 2018, total global sales of PD skincare products, eyelash growth products, skin lighteners and scar products approached \$1.1 billion. Through 2023, sales will rise by 7.3% per year. On a regional basis, North America comprised the single largest market for PD topical

products and is expected to expand by 7.2% per year through 2023. Greater gains will be mitigated by market saturation and product discounting, particularly through online sales.

China has emerged as the major market in the Asia-Pacific (APAC) region, followed closely by Brazil in Latin America. Europe will expand by 5.7% per year, with growth supported by the cost-effectiveness of topicals but hampered by continued regional economic weakness. Asian and Latin American markets will exhibit growth of 9.9% and 5.7% per year, respectively, as market penetration in these regions continues to expand.

Global sales of PD skincare products, not including eyelash growth products, scar products and skin lighteners, reached \$866 million in 2018. Through 2023, compound annual growth is projected at 7.8%.

In 2018, global sales of PD eyelash products are estimated at \$93 million. Allergan's Latisse has maintained its name recognition but continues to lose market share because of reported side effects and the encroachment of several competing products. Through 2023, the CAGR is projected to increase by 1.5% per year.

Global sales of PD skin lightening products are estimated at \$120 million in 2018. Through 2023, this growing sector is projected to increase by 7.8% per year.

In 2018, global sales of PD scar products are estimated at \$16 million. This sector is projected to expand by 9.5% per year through 2023. The lack of innovation in topical scar treatment products in recent years weighs down this segment, as well as the expanding number of competing energy-based treatment modalities that can be even more effective than skincare solutions.