Consumer Water & Air Treatment Systems

US Industry Study with Forecasts for 2017 & 2022

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A shift in product mix toward larger and more expensive whole-house systems, driven by a rebound in housing and consumer preferences, will boost gains in market value.

**US demand to rise 6.9% annually through 2017**

Demand in the US for consumer water and air treatment systems is projected to advance 6.9 percent per year to $2.3 billion in 2017. Sales will show a marked improvement over the 2007-2012 period as the economy continues to recover, consumer confidence grows, and credit becomes easily available. In addition, a rebound in housing will further propel growth as many consumers purchase or upgrade water and air treatment systems when they move into a new home. A shift in product mix, particularly as the whole-house segments recover from the declines of the 2007-2012 period, will also impact growth. Whole-house systems are larger and more expensive than portable or point-of-use systems so a higher share of these items boosts market value.

**Point-of-use, portable systems to remain dominant**

Point-of-use (POU) water and portable air treatment systems will continue to account for the larger share of value demand than whole-house counterparts. In POU water treatment systems, faster growth will be registered by reverse osmosis and other membranes and distillation systems. Among portable air cleaners, faster gains will be realized for electrostatic technologies. Although sales of POU water and portable air treatment systems are expected to achieve good growth through 2017, housing trends are favoring whole-house systems and a larger share of households are installing these systems. Sales of whole-house water and air treatment systems declined along with the significant contraction in single-family housing completions during the 2007-2012 period, since these units are often installed in newly built homes. The improving housing market will contribute significantly to growth in sales of whole-house systems through 2017.

**Aftermarket consumables to grow 4.2% annually**

The aftermarket plays a very important role in the industry, with sales of consumables (i.e., filters, membranes, and salts) forecast to grow 4.2 percent annually, reaching $3.3 billion in 2017. Gains will be driven by rising system penetration rates, as well as the increasingly common incorporation of performance indicators meant to improve replacement compliance. Consumers upgrading to systems that use more advanced filters and membranes, such as carbon block cartridges, reverse osmosis or other membranes, HEPA filters, and electrostatic filters, will also provide growth. Systems incorporating permanent filtration media that do not need to be replaced will continue to account for a greater share of sales, restricting further growth. An increasingly competitive pricing environment will also limit value gains.
Technologies

Conventional Filtration

Sales of conventional water filtration systems are projected to increase from 117.2 million units in 2007 to 127.0 million units in 2017, accelerating from gains posted between 2007 and 2012. This growth rate is slower than that of most other system categories and will make up a smaller share of the consumer water treatment system market as volume increases. Conventional filtration-based systems are typically less expensive than systems employing other technologies; hence, sales did not decline as did sales of more expensive systems during the recession and therefore will not experience as strong a recovery.

These systems use adsorptive or mechanical filtration media, or a combination of the two, as the primary or only means of water treatment. These systems are generally inexpensive, although they are available at a range of prices, and are often found at mass merchandisers, drugstores, and other locations that are easily accessed by most segments of the population. Additionally, conventional filtration-based systems are able to treat most common water quality issues. Their ability to remove chlorine, sediment, and contaminants that cause foul odors in water, combined with their relatively low prices and accessibility, has made these appealing to a broad range of consumers. Furthermore, competition from bottled water has lessened as consumers have become increasingly environmentally conscious. Due to the relatively higher cost of bottled water, the 2007-2009 recession boosted sales of conventional water treatment systems.

Growth of conventional filtration systems will be restrained as existing owners of these systems upgrade to systems that incorporate advanced treatment technologies, such as reverse osmosis and membrane separation. Additionally, the performance limitations of conventional filtration systems will continue to be addressed with more advanced technologies that can provide higher levels of water treatment.

Table III-2: Consumer Water Treatment System Demand by Technology (million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>2002</th>
<th>2007</th>
<th>2012</th>
<th>2017</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households (million)</td>
<td>110.4</td>
<td>117.2</td>
<td>121.1</td>
<td>127.0</td>
<td>132.3</td>
</tr>
<tr>
<td>units/000 households $</td>
<td>78</td>
<td>94</td>
<td>100</td>
<td>119</td>
<td>136</td>
</tr>
<tr>
<td>$ systems/household</td>
<td>8</td>
<td>10</td>
<td>9</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Consumer Water Treat Systems (000)</td>
<td>8640</td>
<td>10960</td>
<td>12080</td>
<td>15160</td>
<td>18000</td>
</tr>
<tr>
<td>$/unit</td>
<td>102</td>
<td>103</td>
<td>94</td>
<td>104</td>
<td>108</td>
</tr>
<tr>
<td>Consumer Water Treatment Systems</td>
<td>884</td>
<td>1124</td>
<td>1140</td>
<td>1580</td>
<td>1950</td>
</tr>
<tr>
<td>Conventional Filtration</td>
<td>435</td>
<td>578</td>
<td>630</td>
<td>835</td>
<td>1015</td>
</tr>
<tr>
<td>Ion Exchange</td>
<td>320</td>
<td>358</td>
<td>285</td>
<td>430</td>
<td>515</td>
</tr>
<tr>
<td>Reverse Osmosis/Other Membrane separation</td>
<td>77</td>
<td>109</td>
<td>130</td>
<td>175</td>
<td>230</td>
</tr>
<tr>
<td>Distillation</td>
<td>35</td>
<td>49</td>
<td>62</td>
<td>80</td>
<td>100</td>
</tr>
<tr>
<td>Other Technologies</td>
<td>17</td>
<td>30</td>
<td>33</td>
<td>60</td>
<td>90</td>
</tr>
</tbody>
</table>

Chart VI-2: Consumer Water & Air Treatment System Market Share ($1.6 billion, 2012)

Sample Text, Table & Chart
Sample Profile, Table & Forecast

COMPANY PROFILES

Hunter Fan Company
7130 Goodlett Farms Parkway, Suite 400
Memphis, TN 38016
901-744-1200
http://www.hunterfan.com

Annual Sales:
$260 million (verified by company, 3/13)

Employment:
400 (verified by company, 3/13)

Key Products:
portable air purifiers and replacement filters

Hunter Fan manufactures air purifiers, humidifiers, ceiling and portable fans, and thermostats for residential and commercial use. The Company is owned by MidOcean Partners LP (New York, New York), a private investment firm.

The Company is active in the US consumer water and air treatment system industry via the production of portable air purifiers and replacement filters. Hunter Fan operates a global distribution center in Byhalia, Mississippi. Products are sold through a network of authorized dealers and retailers, including Lowe’s Companies Incorporated (Mooresville, North Carolina) and Home Depot Incorporated (Atlanta, Georgia).

Hunter Fan’s air purifiers include PERMALIFE, QUIETFLO, HEPATECH, and 4-IN-1 TOTAL AIR PROTECTION systems designed to clean small-, medium-, or large-sized rooms. PERMALIFE air purifiers utilize permanent, cleanable high efficiency particulate are (HEPA) filters to remove 99.5 percent of dust, smoke, and other particles as small as .5 micron in diameter from the air. Furthermore, these purifiers incorporate separate ionizers engineered to distribute negatively charged ions throughout a room to enhance the cleansing

TABLE IV-6
POINT-OF-USE WATER TREATMENT SYSTEM DEMAND
(million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>2002</th>
<th>2007</th>
<th>2012</th>
<th>2017</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households (million)</td>
<td>110.4</td>
<td>117.2</td>
<td>121.1</td>
<td>127.0</td>
<td>132.3</td>
</tr>
<tr>
<td>units/000 households</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>POU Water Treatment Systems (000)</td>
<td>7420</td>
<td>9480</td>
<td>10980</td>
<td>13600</td>
<td>16200</td>
</tr>
<tr>
<td>$/unit</td>
<td>58</td>
<td>63</td>
<td>66</td>
<td>68</td>
<td>70</td>
</tr>
<tr>
<td>Point-of-Use Water Treatment Systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under-the-Sink</td>
<td>208</td>
<td>289</td>
<td>350</td>
<td>460</td>
<td>570</td>
</tr>
<tr>
<td>Countertop</td>
<td>95</td>
<td>125</td>
<td>145</td>
<td>180</td>
<td>220</td>
</tr>
<tr>
<td>Faucet-Mounted</td>
<td>73</td>
<td>114</td>
<td>140</td>
<td>180</td>
<td>220</td>
</tr>
<tr>
<td>Flow-Through</td>
<td>48</td>
<td>55</td>
<td>61</td>
<td>75</td>
<td>85</td>
</tr>
<tr>
<td>Other POU Systems</td>
<td>10</td>
<td>18</td>
<td>24</td>
<td>35</td>
<td>45</td>
</tr>
<tr>
<td>% point-of-use</td>
<td>49.1</td>
<td>53.5</td>
<td>63.2</td>
<td>58.9</td>
<td>58.5</td>
</tr>
<tr>
<td>Water Treatment System Demand</td>
<td>884</td>
<td>1124</td>
<td>1140</td>
<td>1580</td>
<td>1950</td>
</tr>
</tbody>
</table>

“Sales of water treatment systems in the Mountain subregion are driven in part by the number of large rural areas where many households must rely on private wells for their water supplies. Contaminants such as arsenic, fluoride, nitrates, and uranium, among others, occur naturally in the soil in areas throughout much of this subregion. Homeowners using private water sources in this subregion therefore purchase point-of-entry (POE) and point-of-use (POU) systems to treat their water for these contaminants, which can leach into groundwater sources from which private wells draw water.”

--Section V, pg. 210
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