



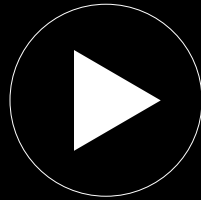
**DANONE**  
ONE PLANET. ONE HEALTH

Investor Seminar  
October 22, 2018

## **Taking Plant-based to the Max**

Francisco Camacho  
EVP - Essential Dairy and Plant-Based

Video



## Francisco Camacho 18 years at Danone



Since  
Oct 2017

• Executive Vice President  
**Essential Dairy and Plant-based**

2011

• Executive Vice President **Waters**  
Member of Executive Committee  
Growth and Innovation Officer (Mar-2017)

2009

• Regional Vice President **Fresh Dairy Latam**

2004

• General Manager **Fresh Dairy Argentina**

Prior to 2000

• Senior positions at Revlon and P&G



# Essential Dairy and Plant-based business at a glance

## A unique, strong and profitable brand portfolio with €13bn in global sales



#1

in the world  
top-4 countries



53%

of Danone  
global sales

1/4

of global sales  
from former  
WhiteWave



56%

of sales from  
local brands

Source: Euromonitor. In relevant Danone scope (only in sub-categories and countries we play in)



# The world is changing, as the food revolution continues

## A new generation of consumers with a new set of values are the driving force

### Eating healthier



### Seeking immediacy



CONVENIENCE / DISCOUNTERS / E-COMMERCE

### Trend setters



**47%**  
of young  
generation  
eating healthier<sup>(1)</sup>

**30%**  
willing to pay  
a premium for  
healthier food<sup>(1)</sup>

**3X**  
faster growth  
than  
hypermarkets<sup>(2)</sup>

**77%**  
of family food  
spending influenced  
by generation z<sup>(3)</sup>

(1) Source : Nielsen Global health and wellness survey 2015 and Nielsen's online pool 30,000 in 60 countries

(2) Source: Data relates to retailers within the planet retail 2016 database only: e – estimate / f – forecast. Small stores includes: Neighborhoods stores, Drugstores & Pharmacies, Convenience stores

(3) IBM Institute for business value (January 2017)

# Generating different consumer preferences Creating new category fundamentals

## Probiotics



>6%

probiotic beverages  
and yogurts growing

## Plant-based



>8%

plant-based beverages  
and yogurts growing

## Protein



>10%

high protein  
yogurts growing

## Fat is back



X4

google search trends for « keto »  
diet in the us since last year

Source : Euromonitor value CAGR 2015-2017 total world. Plant-based excluding China



# Traditional lines between categories are blurring Creating new market opportunities for Danone

from linear ...

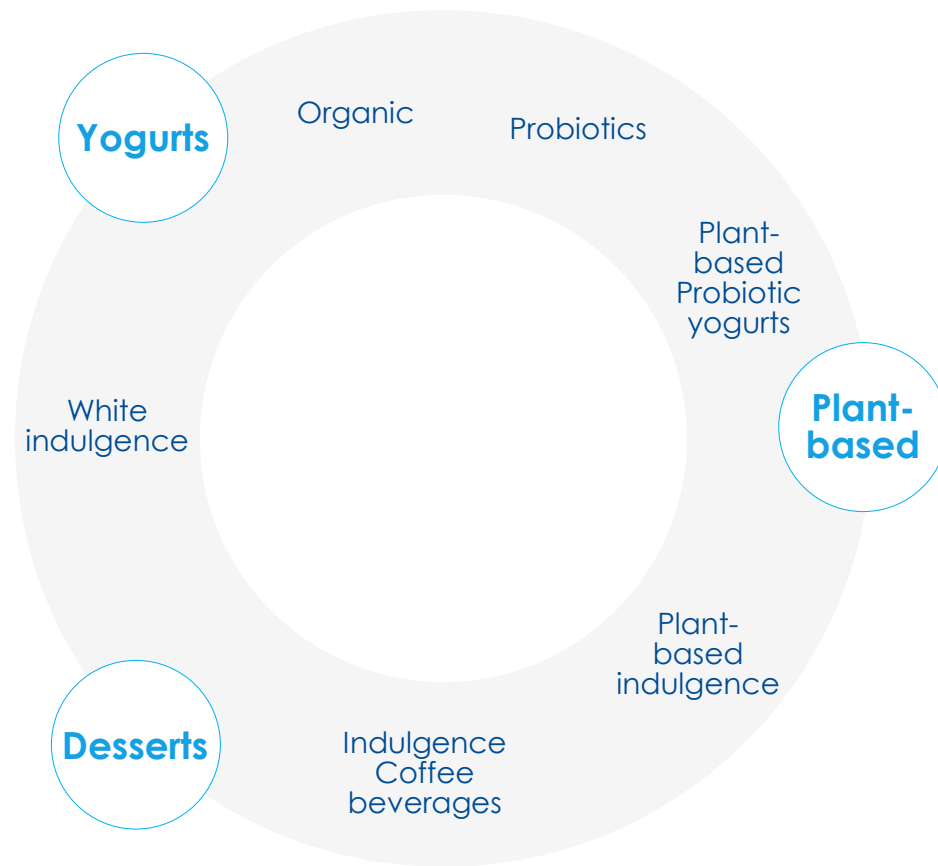
... to fluid categories



Yogurts

Desserts

Plant-based





# Traditional lines between categories are blurring and we are well equipped to create and capture this growth

from linear ...

... to fluid categories



Yogurts



Desserts



Plant-based



# EDP fully contributing to Danone's objectives

## Embedding collective strategic priorities



### our strategic priorities

- 1 accelerate growth
- 2 maximize efficiencies
- 3 allocate capital with discipline



### our 2020 objectives



>5%



3 to 4%

Company objectives

4 to 5%

sales growth (1)

>16%

operating margin (2)

(1) Like-For-Like sales growth  
(2) Recurring operating margin

# Redefined strategic platform

## Well positioned to embrace consumer trends through enhanced agility

Win  
millennials



Own probiotics  
& soft functionals



Accelerate  
plant-based



Drive  
indulgence



Relentless  
innovation



Impulse  
on-the-go





# Redefined strategic platform

Two of them are particularly unique Danone propositions

**Own probiotics  
& soft functionals**



**Accelerate  
plant-based**



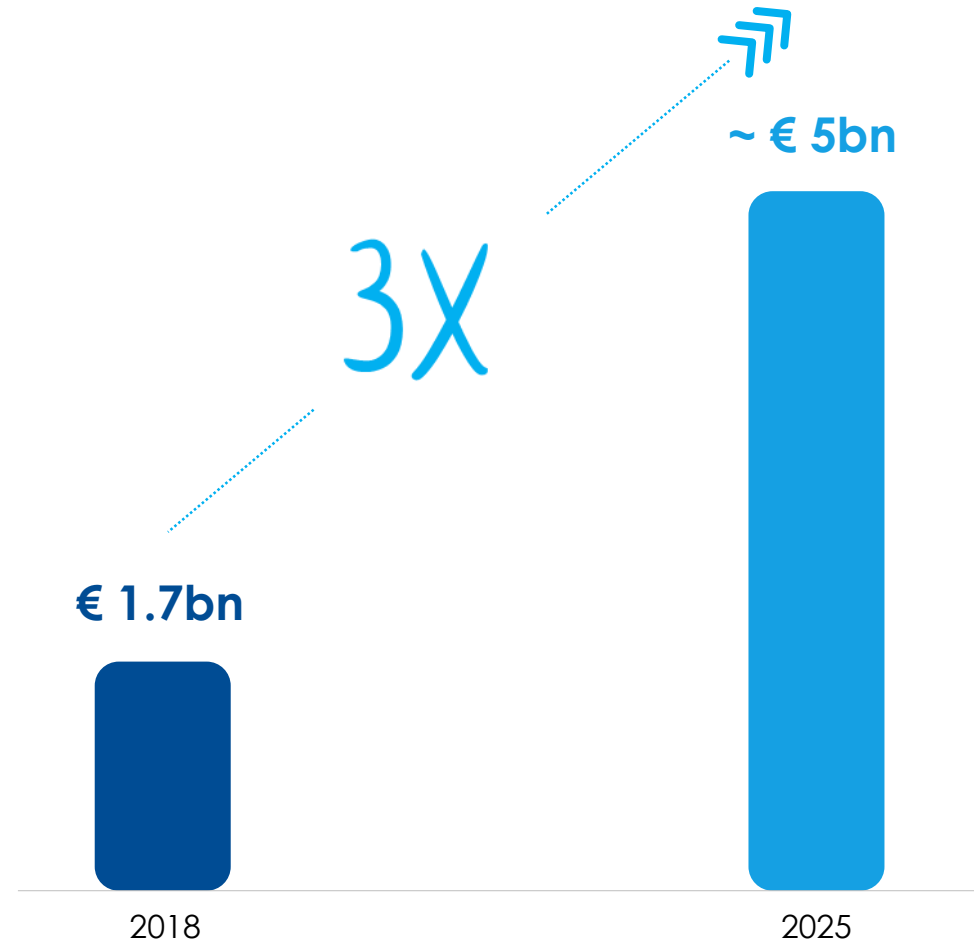
Today we are going to deep dive into Plant-based acceleration

## Accelerate Plant-based



## Ambition

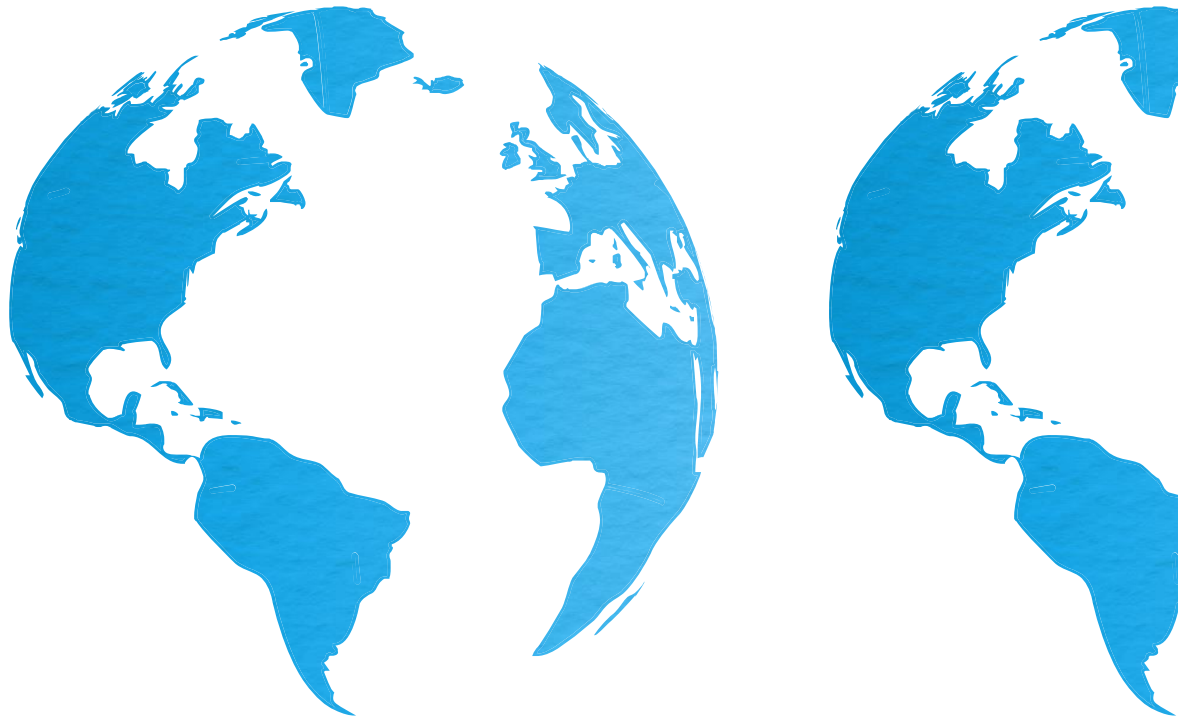
### Tripling the Plant-based business by 2025





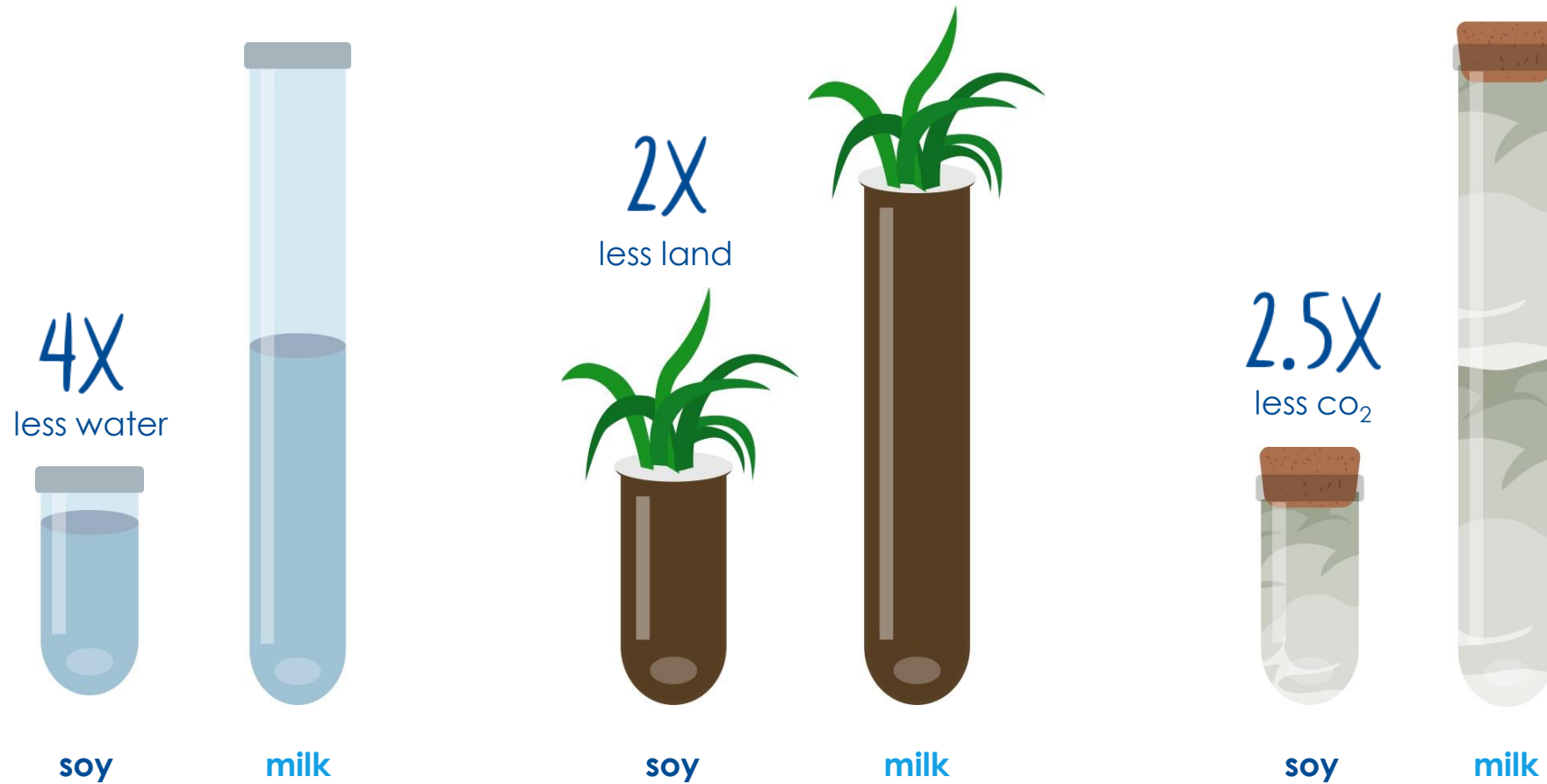
# Plant-based represents key part of a sustainable long-term solution to feed the world

Today, we need 1.5 planets



Today, we need  
more resources than our  
planet can supply

# Plant-based has significant health and environmental advantages



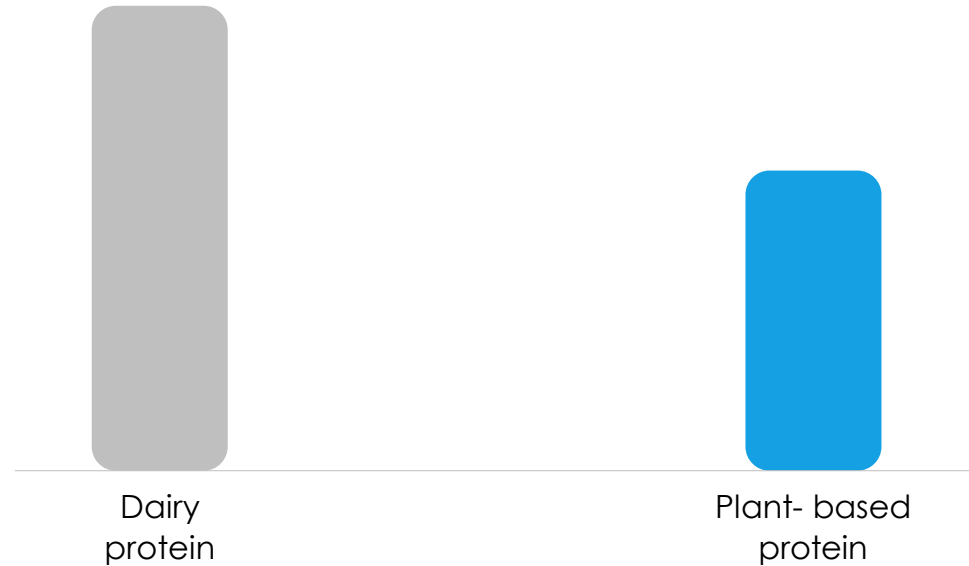
# Plant-based protein is cheaper than Dairy protein

## Attractive raw material cost

Dairy vs Plant-based protein cost - (€/ Kg)



-30%



Source : Internal Cycle & procurement best estimate 2018



## Aligned with consumer trends

# Plant-Based consumers have transitioned from niche dieters to flexitarians

From niche  
dieters



To plant-based as part  
of healthy flexitarian  
lifestyle

1/3

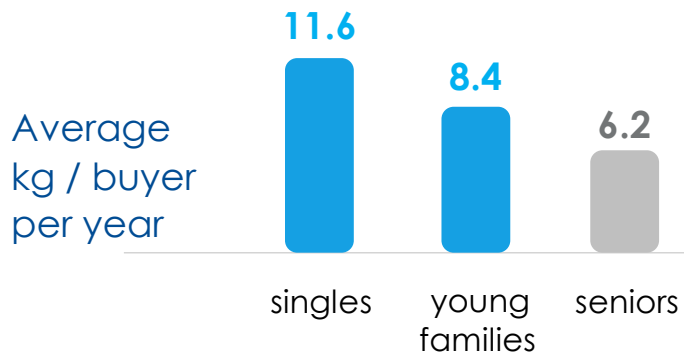
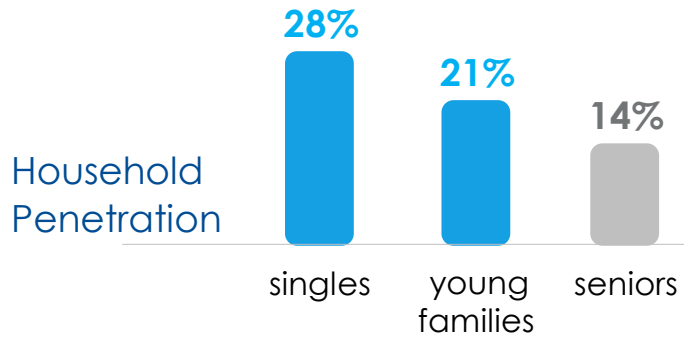
of total  
population in the US  
is flexitarian

Source : Mattson survey – US Market. Flexitarians = consumers cutting down on meat + vegetarian diet followers eating meat occasionally

# Multiple incremental growth opportunities

## Flexitarian consumers are younger and fluid in their consumption behavior

Alpro in Germany



dairy milk to drink everyday



Plant-based beverage with coffee



dairy ice cream out-of-home



animal based food during the weekend



plant-based diet during the week



plant-based ice cream at home

Source : Nielsen 2017

# Complementary Dairy and Plant-based growth around the world

## % of households purchasing plant-based milk also buy dairy milk

% of households that purchase plant-based milk also buy dairy milk.



88%



95%



89%



88%



93%



96%



82%

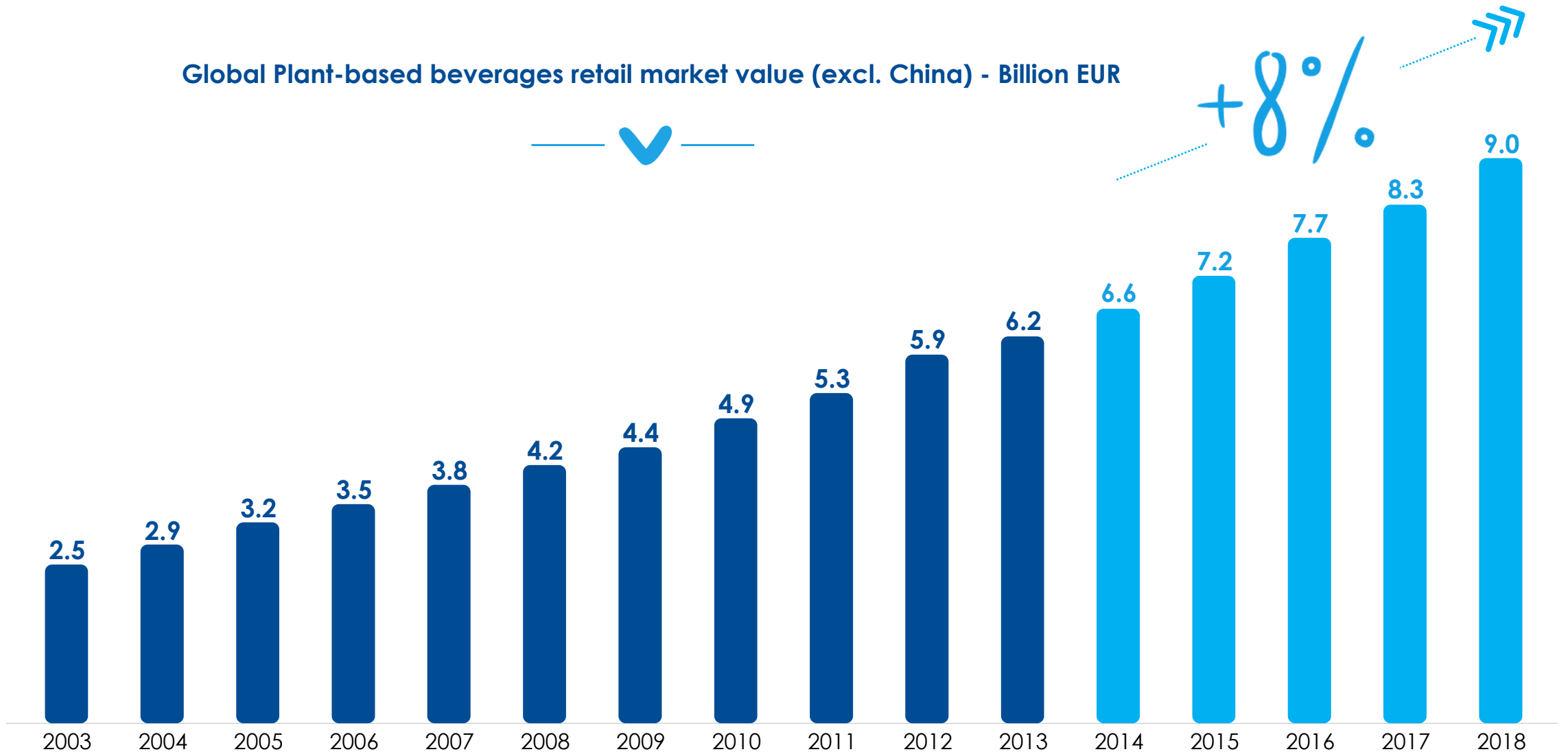


93%

Source EU: Consumer panel – Average Top 9 markets.  
Source US: IRI Panel – Household penetration L52

# Strong 8% CAGR in Plant-based category

Global Plant-based beverages retail market value (excl. China) - Billion EUR



Source: Euromonitor

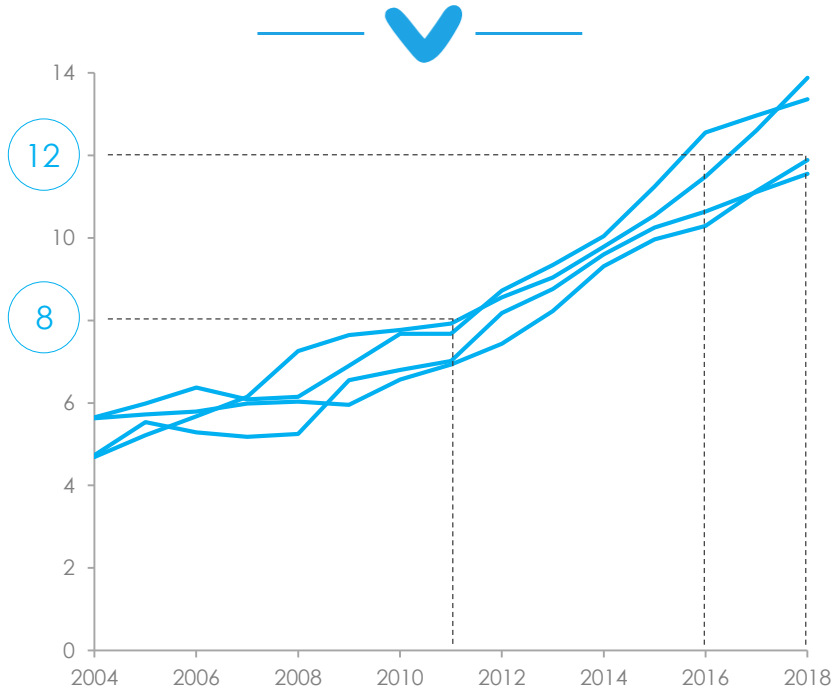


# Strong growth in all key markets

## Accelerated demand as recent adopters catch-up

5-7 years 

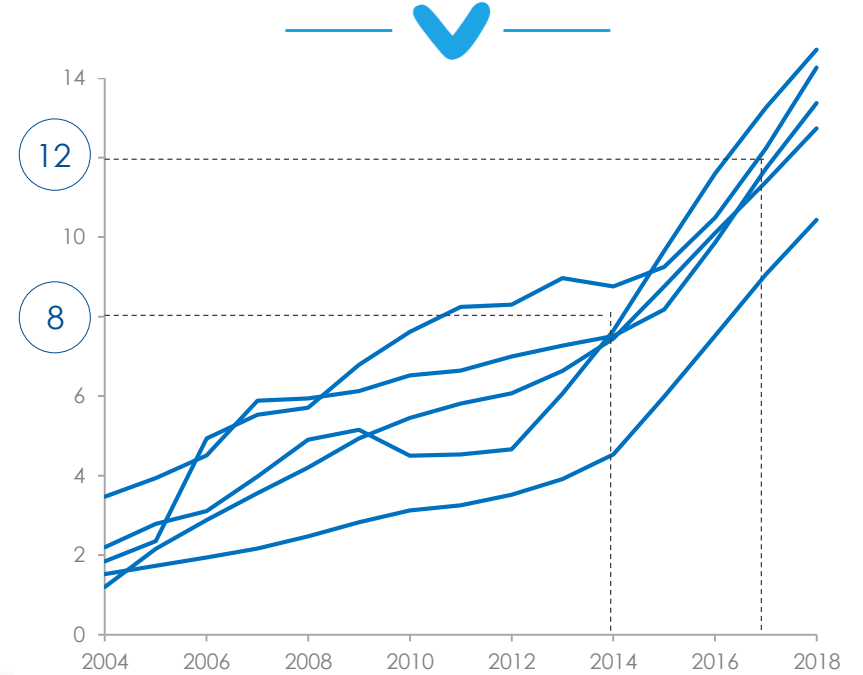
Time taken for early adopters to grow from 8% to 12%



Plant-based beverages as % of total milks (dairy + plant-based)

only 3 years 

Time taken for recent adopters to grow from 8% to 12%



Plant-based beverages as % of total milks (dairy + plant-based)



Source: Euromonitor

# Significant opportunity to increase penetration

## Trends in yogurts following path set by beverages

Dairy Milk

> 90%



Plant-based beverages penetration



Belgium



France



UK



Germany



US



Mexico\*

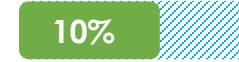
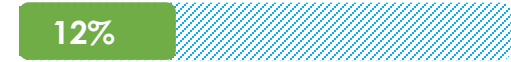


Russia



Japan

Plant-based yogurts penetration



Dairy Yogurts

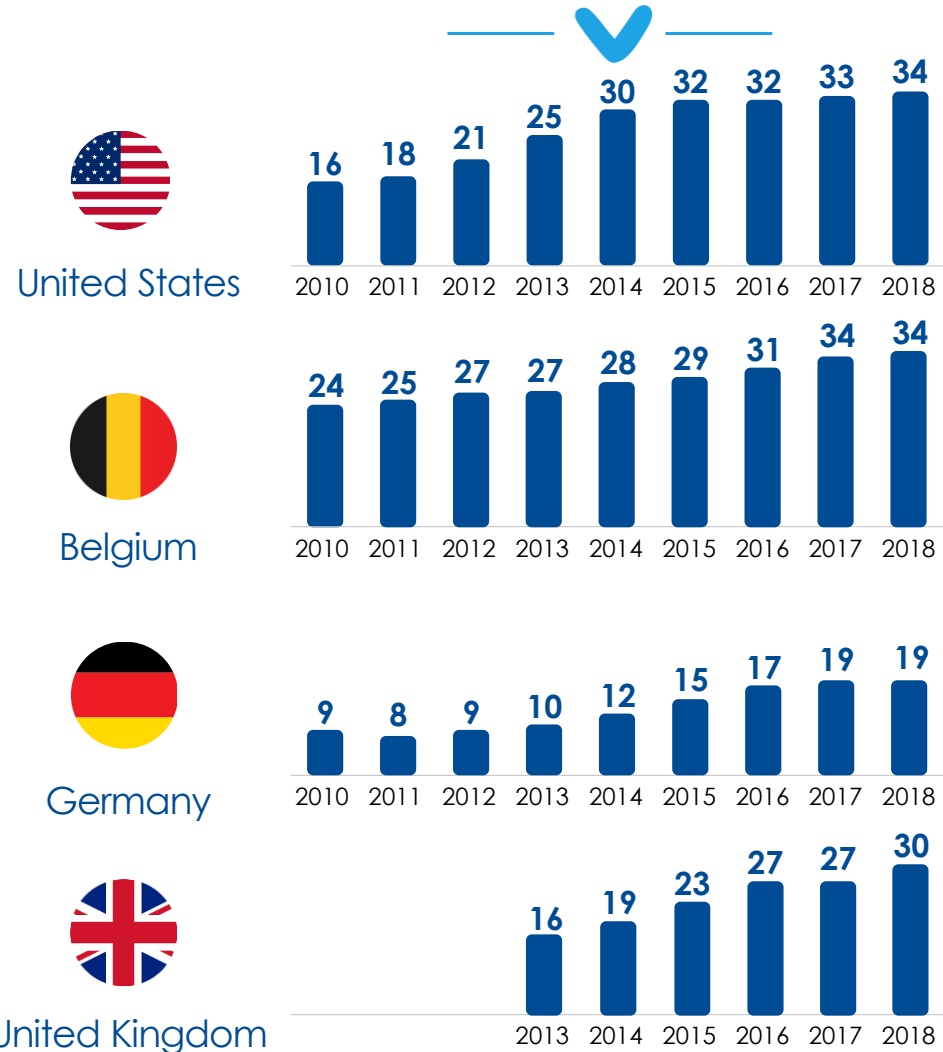
> 85%



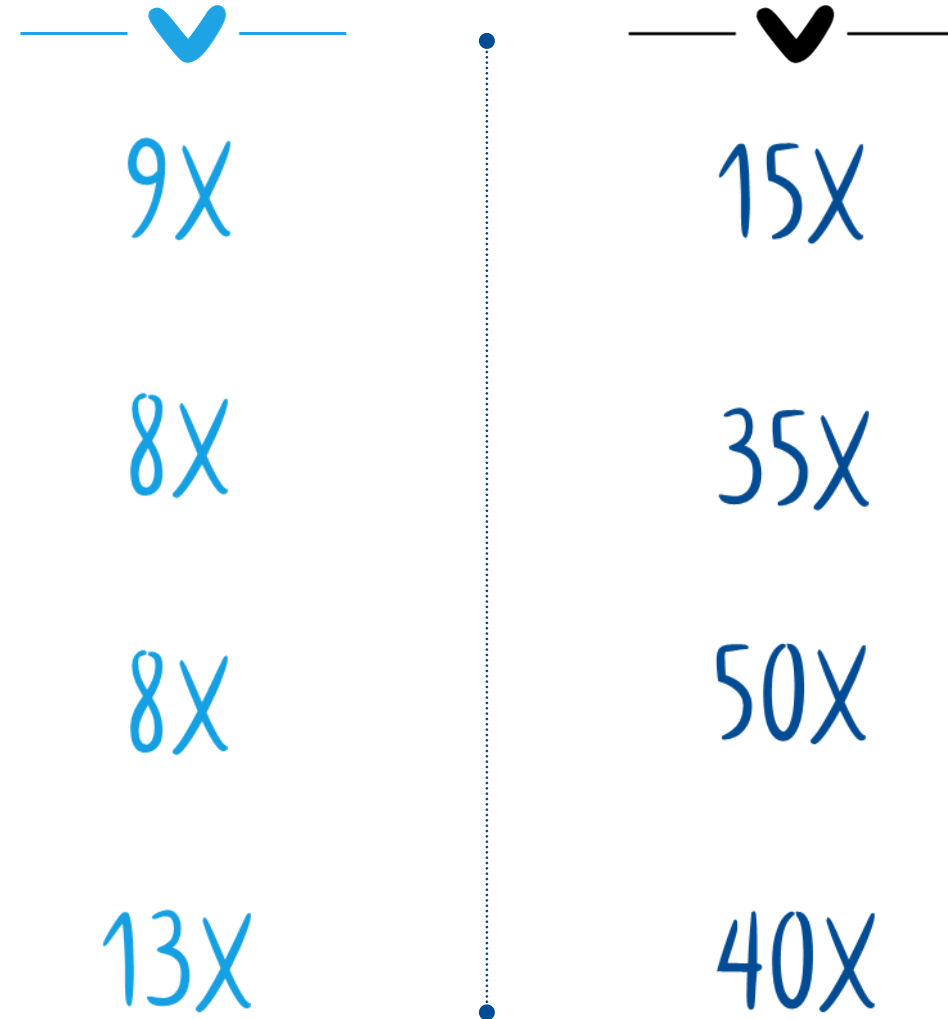
Source: HH Panel Kantar / Nielsen / GFK & IRI 2017 - Note PBB HHP in Mexico includes PB Fruit juices

# Purchase frequency creating additional opportunity in mature markets

**household penetration**  
% per year for plant-based beverages



**purchase frequency**  
trips per year for **plant-based beverages** | trips per year for **dairy yogurts**



Source: Penetration - Nielsen (UK), IRI (US), GFK (BE & DE). Frequency - IRI MAT Jun-18 (US), GFK FY-17 (BE), Kantar MAT P7'18 (UK), GFK MAT-Jun'18 (GER)

# Danone well placed to capture attractive growing demand opportunities

## Serving Plant-based core and adjacent product categories

### Expected plant-based category growth 2017-2020



Source: Danone estimation based on trends and regional performance in existing markets ( Nielsen, IRI & Euromonitor)



# Danone Plant-based business today

€1.7bn  
net sales



represents  
**15%**  
of EDP  
net sales

market leader  
NorAm & Europe

**€1bn**  
Plant based  
beverages sales

Source: Total plant based business – Internal sales 2018 fcast.

# Portfolio of market leading brands, playing across distinctive territories

Silk and Alpro are our largest brands, with € 500+ million sales each

Health



#1  
in Noram

Health



#1  
in Europe

Indulgence



#1  
in Noram

Performance/Nutrition



#1  
globally

Natural/Organic



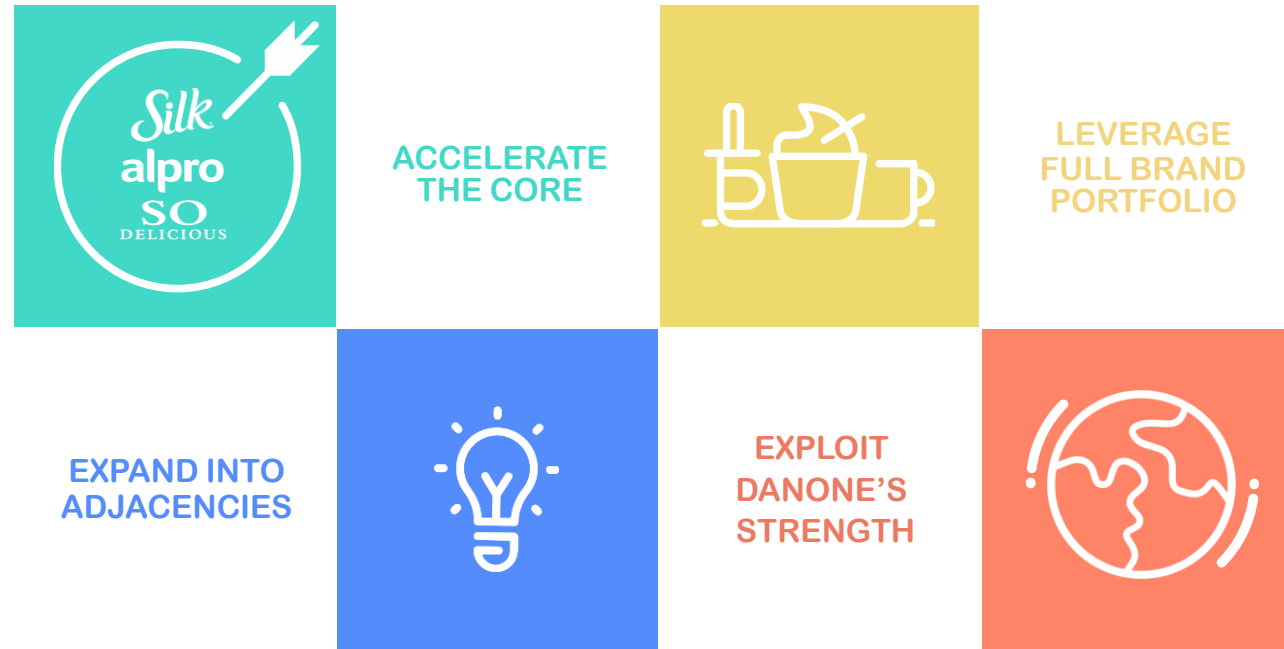
#1  
in natural channels in EU

**Taking  
Plant-based  
to the max**





# Plant-based growth strategy





ACCELERATE  
THE CORE



LEVERAGE  
FULL BRAND  
PORTFOLIO

EXPAND INTO  
ADJACENCIES



EXPLOIT  
DANONE'S  
STRENGTH



# Clear action plan for core growth

## Beverages and yogurts, Plant-based core, is $\frac{3}{4}$ of our business today



# 78%

of total Plant-based  
business today



beverages



yogurt

Product distinctiveness through technical superiority

—  
Strong innovation

—  
Distinctive communication

—  
Impactful activation to recruit younger consumers

—  
Winning in impulse channels and on the go

# Driving product distinctiveness through technical superiority

## Leveraging our superior end-to-end process



### Return on investment across the value chain



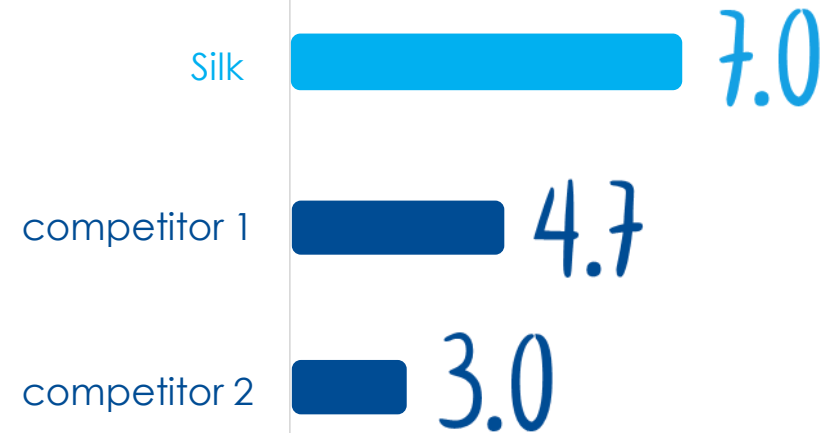


# Product distinctiveness through technical superiority

## With a final product the consumer prefers



Most recent overall preference score (organoleptic liking)



Source: Internal consumer blind test – Alpro EU 4 (Haystack), Silk US 2018

# Driving growth through strong innovation

## Leveraging three areas of expertise



### Plant-based



### Probiotics



### Proteins



# Driving growth through strong innovation

## Meeting strong demand for Plant-based yogurt products



Probiotics



No added sugar



High protein

plant based  
yogurts  
ytd-2018



+55%. +19%.



# Driving growth with strong innovation

## Meeting strong demand for Plant-based beverage products



### Oat beverages

### Premium



- 100% organic
- 
- 100% recyclable
- 
- 30% recycled PET
- 
- Unsweetened with zero sugars

Roasted Italian almonds      pressed Sri-lankan coconuts

Expected launch



Q4-18

Expected launch



Q4-18



# Driving growth with strong innovation

## Meeting strong demand for Plant-based beverage products



Organic



Launched in



Q1-18

For professionals - Barista



Launched in



Q2-18

# Driving growth with strong innovation

## Maximizing potential of broad range of new ingredients



new ingredient based launches ytd 2018

+22%

Cashew

Oats

Rice & Coconut

Blends



# Distinctive communication, advertising and marketing

## New Silk positioning brings the brand back to growth in the US



**Michael Phelps** [@MichaelPhelps](#) [Follow](#)

Check out the [@lovemysilk](#) commercial I did with this guy Greg! Guess you don't need a gold medal to be perfect. [#ProgressIsPerfection](#)



8:13 AM - 20 Jan 2018

52 Retweets 629 Likes

10 52 629



Silk brand growth in ytd 2018

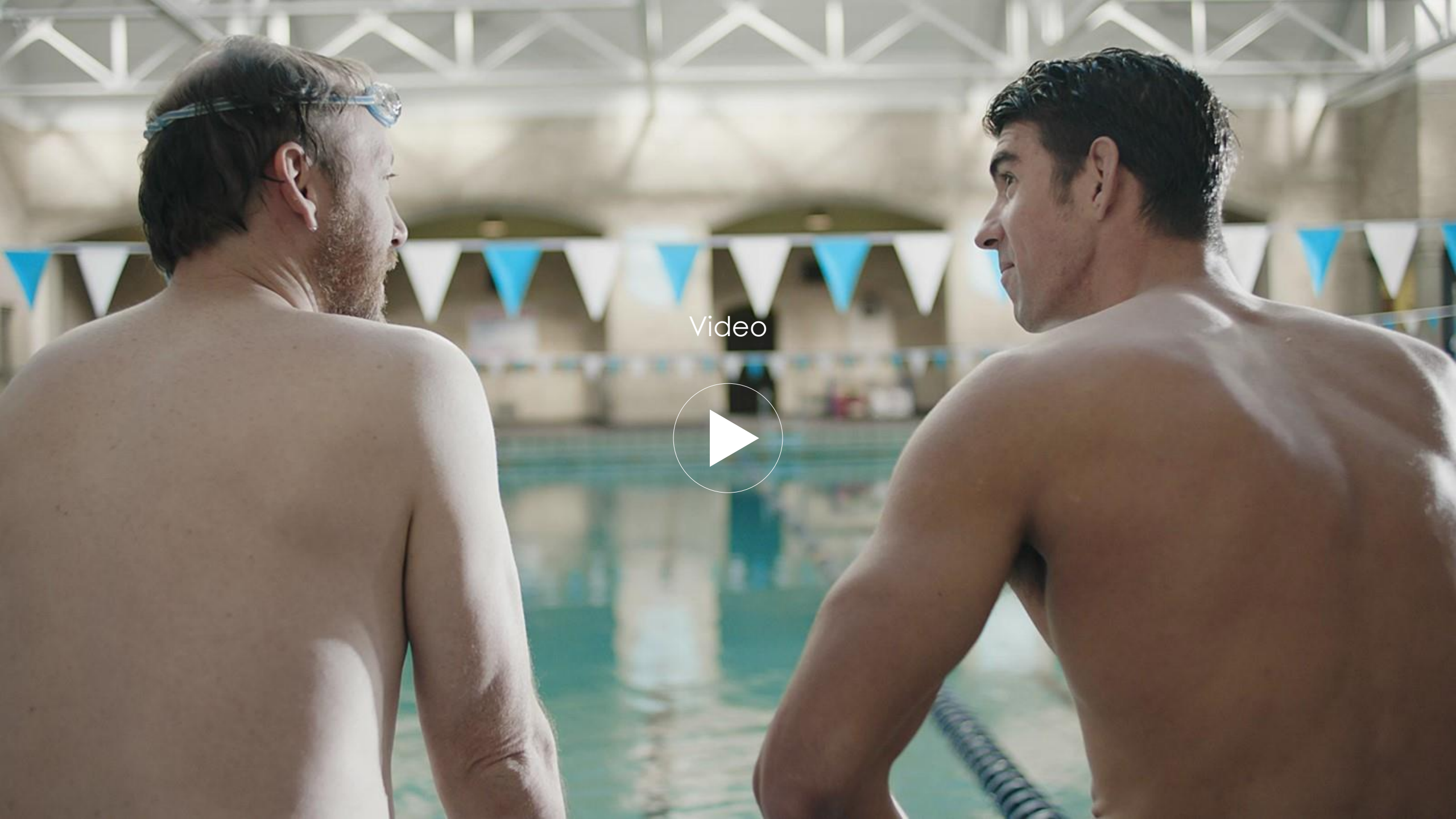
High Single Digit



Video







Video





# Impactful activation to recruit younger consumers





# Impactful activation to recruit younger consumers





# Winning in impulse and on-the-go channels



## Right portfolio and offerings



single serves, drinkables  
& on-the-go formats

## Dedicated route to market



## Native impulse team

VP SALES



DUANEreade  
by Walgreens







ACCELERATE  
THE CORE



LEVERAGE  
FULL BRAND  
PORTFOLIO

EXPAND INTO  
ADJACENCIES



EXPLOIT  
DANONE'S  
STRENGTH



# Capture new growth opportunities by expanding into adjacencies



78%  
of the  
Plant-based  
business today



beverages



yogurt



# Plant-based ice cream

## Strong growth from blurred lines between indulgence and better-for-you

### Addressable market

€62B dairy ice cream category size globally

### Plant-based % of total

<2% in key markets

### Yearly growth rates

+32% +20-50%

2017 (US only)

2018-2023 PB Ice-cream in key markets (expected)



Q1-18



Q1-18



Q2-18



**+189%**  
Plant-based ice cream ytd-2018



**+15%**  
Plant-based ice cream ytd-2018

Source: Nielsen, Euromonitor, internal estimate



# Plant-based performance nutrition

## Already a sizable business ready to travel



<b>Addressable market</b>	
€4.5B	Performance nutrition category size globally
<b>Plant-based % of total</b>	
24%	in Noram
<b>Yearly growth rates</b>	
+11%	+15%
2017 (Noram only)	2018-2023 plant-based performance nutrition (expected)



**+52%**  
Vega ready-to-drink shake ytd-2018

Source: Nielsen, Euromonitor, internal estimate



# Plant-based ready-to-drink coffee

## Tapping into the growing coffee trend with Plant-based



<b>Addressable market</b>	
€21B	dairy ready-to-drink coffee category size globally
<b>Plant-based % of total</b>	
<0.1%	in key markets
<b>Yearly growth rates</b>	
new	>100%
2017-18 plant-based ready-to-drink coffee	2018-2023 plant-based Ready-to-drink coffee (expected)



Q1-18

Attracting new consumers to the category



Q4-18



Source: Nielsen, Euromonitor, internal estimate

# Plant-based coffee creamers

## Targeting an existing growth category with Plant-based



<b>Addressable market</b>	
€2B	dairy coffee creamers category size in Noram
<b>Plant-based % of total</b>	
5%	in Noram
<b>Yearly growth rates</b>	
+85%	+20-40%
2017 (US only)	2018-2023 Plant-based coffee creamers (expected)



Q1-18



**+40%**  
plant based creamers growth ytd-2018

Source: Nielsen, Euromonitor, internal estimate



ACCELERATE  
THE CORE



LEVERAGE  
FULL BRAND  
PORTFOLIO

EXPAND INTO  
ADJACENCIES



EXPLOIT  
DANONE'S  
STRENGTH





# Strong Plant-based brand portfolio



Health



#1

in Noram

Health



#1

in Europe

Indulgence



#1

in Noram

Performance/Nutrition



#1

globally

Natural/Organic



#1

in natural channels in EU



# World leading Dairy brand portfolio



## Probiotic Health



ACTIVIA Actimel

#1  
globally

## Essentials



DANONE Yogurissimo 

#1  
globally

## Smart Calories



DANONE Light & FIT DANONE Light & Free OIKOS TRIPLE ZERO

#1  
globally

## Kids



DANONE Danonino DANONE Danimals

#1  
globally

## Indulgent



DANONE OIKOS DANONE Danette

#1  
globally

# Offering a Plant-based alternative in key Dairy brands over the next 12 months



world-class  
**fermentation**  
expertise

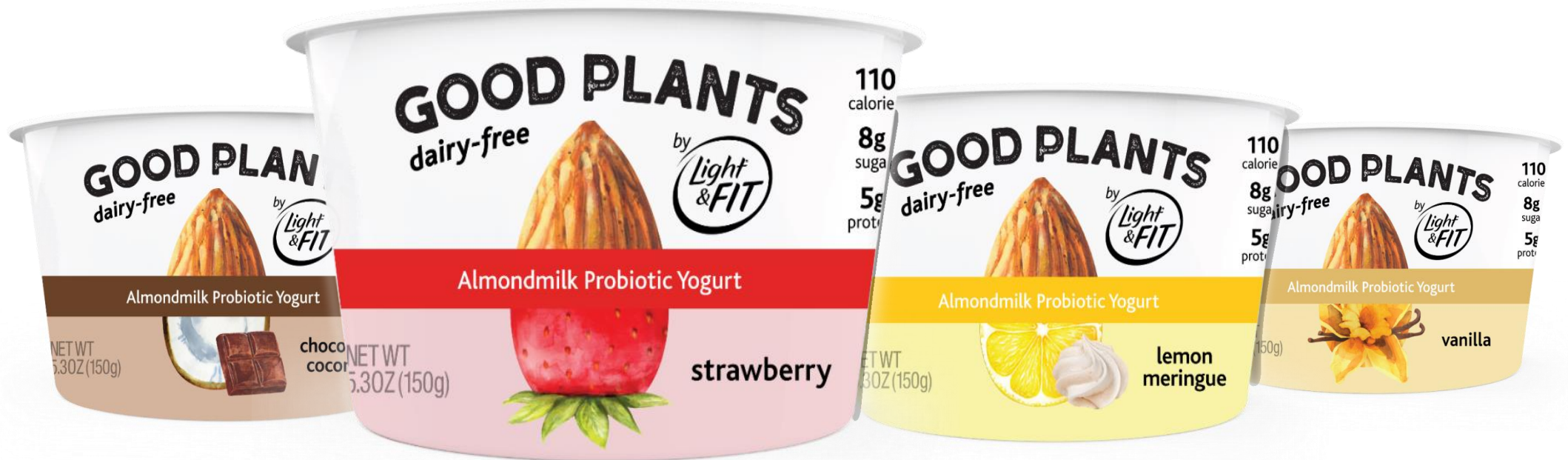
world-class  
**plant-based**  
expertise



# Light & Fit being the brand leading the way with a plant-based alternative



Low sugar  
—  
Light & Fit Almond probiotic yogurt  
—  
High protein



Q4-18



ACCELERATE  
THE CORE



LEVERAGE  
FULL BRAND  
PORTFOLIO

EXPAND INTO  
ADJACENCIES



EXPLOIT  
DANONE'S  
STRENGTH





# Combining scientific strength and know-how to create new brands, products and flavors



+



=

world-class  
fermentation  
expertise

world-class  
plant-based  
expertise



plain



turmeric  
& ginger



Pomegranate  
& sichuan



Q4-18



# Strengthening customer relationship Spain and France showing promising results





# Strengthening customer relationship

## Spain and France showing promising results



(1) In Plant based alternatives to yogurt

# Leveraging route to market strength

## Large opportunity in LatAm



 **DANONE**  
ESSENTIAL DAIRY  
& PLANT-BASED

100%

 numeric  
distribution



market leader

#1



Q3-18



Q4-18 Q1-19





# Deploying scale and expertise to minimize production costs



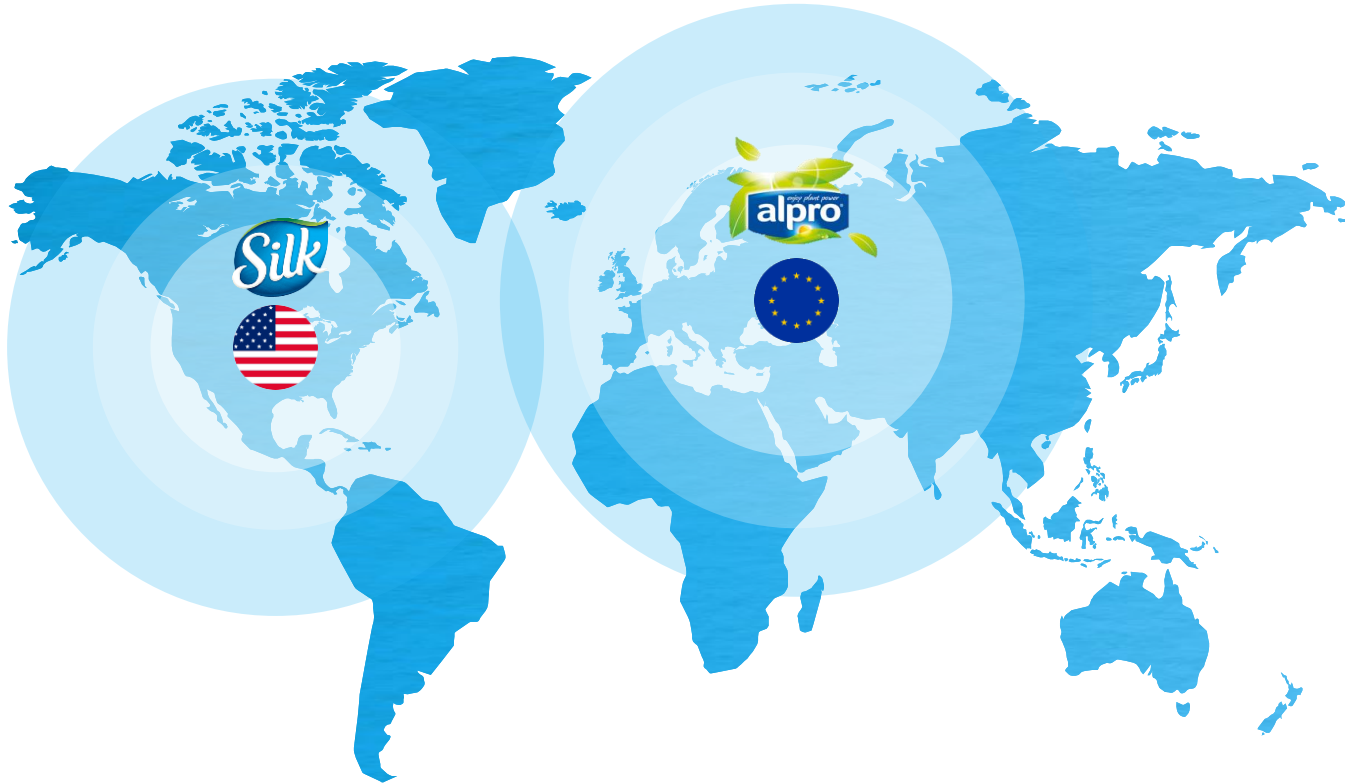
## Raw materials & packaging (€/Kg)



Source: Internal Cycle & procurement best estimate 2018 – Alpro EU 4 countries

# Market presence strength

## Customized approach to geographical expansion



### 1- Accelerate through Danone route-to-market started



'18

### 2- Create the category



'19

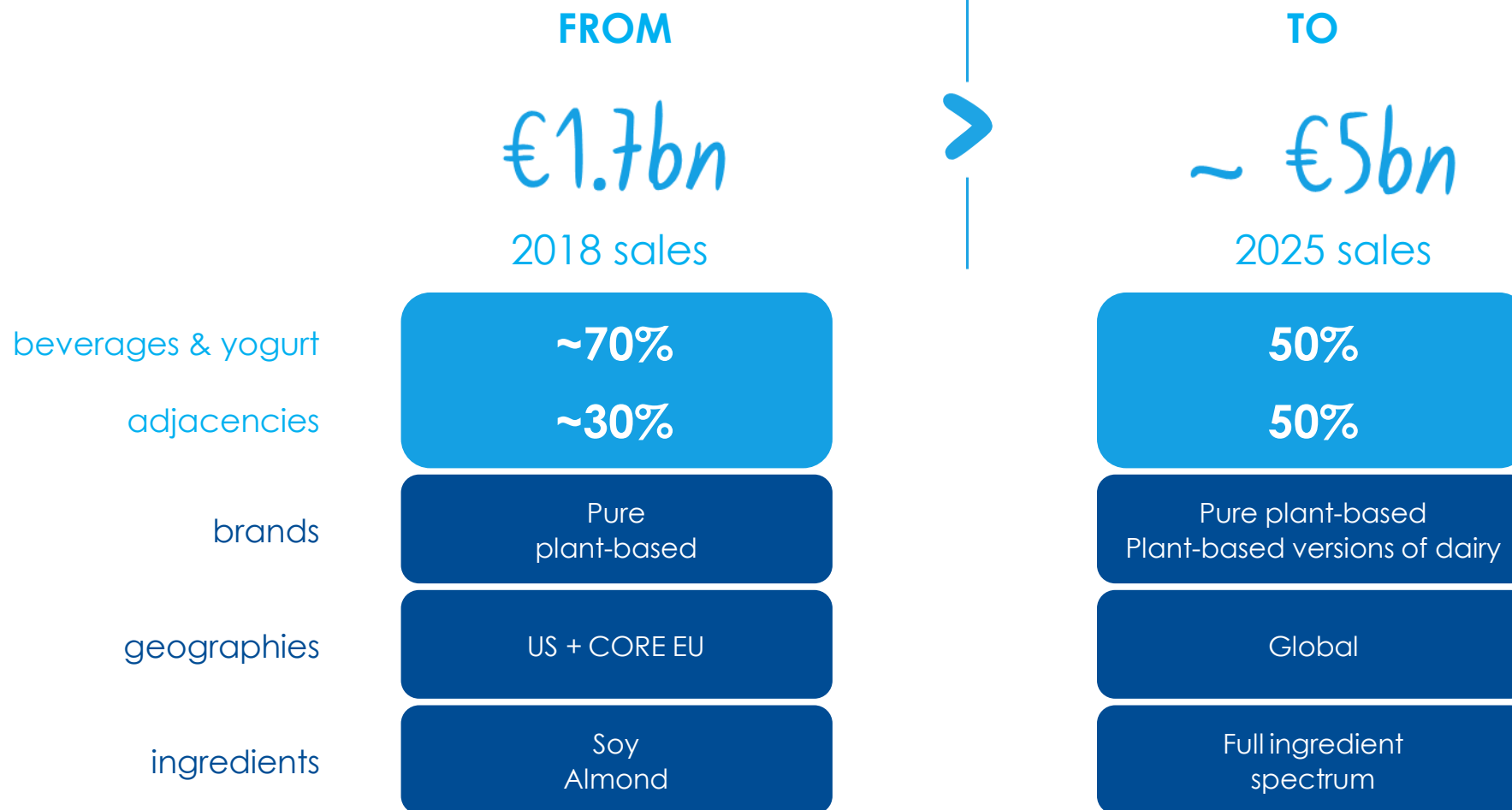
### 3- Modernize a commoditized category



'19

# Key take-aways

## Taking Plant-based to the max





## Conclusion

Well-positioned to deliver strong value creation

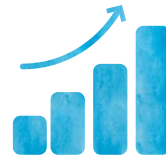


### Danone strategic priorities

1 **accelerate growth**

2 maximize efficiencies

3 allocate capital with discipline



### Taking plant-based to the max

**superior value growth: triple size by 2025**

accelerate the core

— expand into adjacencies

— leverage full brand portfolio

— exploit Danone's strength

**maximizing efficiencies from synergies, scale and premiumization**

lower production cost

— resource sustainability

— cost and revenue synergies







## Disclaimer

- *This presentation contains certain forward-looking statements concerning Danone. In some cases, you can identify these forward-looking statements by forward-looking words, such as “estimate,” “expect,” “anticipate,” “project,” “plan,” “intend,” “believe,” “forecast,” “foresee,” “likely,” “may,” “should,” “goal,” “target,” “might,” “will,” “could,” “predict,” “continue,” “convinced,” and “confident,” the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to, statements regarding Danone’s operation of its business, the expected benefits of the transaction, and the future operation, direction and success of Danone’s business.*
- *Although Danone believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. For a detailed description of these risks and uncertainties, please refer to the “Risk Factor” section of Danone’s Registration Document (the current version of which is available on [www.danone.com](http://www.danone.com)).*
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- *All references in this presentation to “Like-for-like (LFL) New Danone” changes, recurring operating income, recurring operating margin, recurring net income, recurring income tax rate, Recurring EPS, Yakult Transaction Impact, free cash flow and net financial debt correspond to financial indicators not defined in IFRS. Their definitions, their reconciliation with financial statements and IAS29 accounting treatment for Argentina are included in the Q3 sales press release issued on October 17<sup>th</sup>, 2018. Q1, Q2 and H1 2017 reported figures have been restated for IFRS 15. Indicators ROIC and Net Debt / EBITDA are defined on page 64 of Danone’s 2017 registration document*
- *Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.*