TRANSCRIPTION

Danone_022317

SPEAKER IDENTIFICATION	DIALOGUE
	[BEGINNING of Danone_022317.mp3]
EMCEE	Danone continues to assemble and grow a strong portfolio of healthy diet categories across the globe, including its pending acquisition of WhiteWave. Last week, the company also unveiled a redesigned organizational structure and savings program intended to drive both sales growth and margins through 2020. Here to talk to us about the transformation and progress they're driving at Danone are CEO Emmanuel Faber and CFO Cécile Cabanis. Welcome.
EMMANUEL FABER	Thank you. Good morning, everyone. It's great to be back at CAGNY this year. I'm Emmanuel Faber, the CEO of Danone. I have 40 minutes to explain why the transformation that we've started two years and a half [sic] ago is making Danone a compelling, unique, profitable growth story. Let me start with our numbers of last year, highlighting what I think has been a year of significant progress towards our 2020 goals of strong, profitable, sustainable growth. The past two years, we have restored the profitability of our growth model, which for a number of years was not what it needed to be. Last year, we've grown, like-for-like, short of 3 percent: 70 BPS of margin improvement, 9 percent of EPS recurring growth, 17 percent of recurring cash flow -- free cash flow growth, which I consider as a very solid foundation for the future. It's actually been a year where the new processes that we have in place of constant resource reallocation through a process whereby we've abandoned any yearly budget reference in system. Only a midterm planning and a quarterly review of resource allocation has allowed us to navigate a profitable growth model in what has been a pretty turbulent macroeconomic environment for us. Yet, 2017 is going to be a big year of transformation for Danone, the second

	stage of our transformation journey taking us to the next orbit by 2020. This is on the basis of a transformational organization that we've put in place two years ago. We've actually created a backbone of 30 different clusters of One Danone geographies in the world that are ensuring that we have a powerful, mutualized support for our businesses in all of these geographies. We've been able to add, as I announced a week ago, a slate, another group of regions on top of this where we will have regional leaders making global decisions, because I'm obsessed with the fact that we're actually making decisions closer to the consumer -- closer ever to the consumer. This delegation of power from my team to a s- -- a layer of regional leaders is making me -- is creating the opportunity for me to reduce my direct team of executive committee members by 30 percent, so we'll have a much closer, tighter, cost-effective, time-effective, team-effective team starting right now as we speak of eight of us in total, focusing on strategy and basically creating two significant function [sic] for the future. One is an integrated growth and innovation function and process from R&D to marketing through customers and digital. And the second is the resource efficiency function that will deliver accelerated efficiency, because now that we have the organization and the processes, we are going to be able to tackle opportunities that many other companies had before and that I had not been able to tackle yet. And the result of this is that we will be able to decouple our immediate efficiency agenda and our midterm growth acceleration agenda with always the same objective by 2020. Basically, decoupling this, ensuring one very important, additional element to the growth model that we're sharing with you, which is a commitment for consistent EPS growth during this transformation and the acceleration of our growth. For this, on the efficiency side, we are launching a comprehensive, company-wide program to maximize efficiency. It's about buy, spend and work better, essentially, through two main axes: maximize efficiency and making disciplined choices, and build our muscle for growth because this transformation will be an opportunity to invest further in the consumer solutions that we're bringing. That leads to the announcement that took us last week of the Program PROTEIN which is about bringing €1 billion of savings -- yearly savings by 2020 in three years from now, entirely focused on the indirect spend, so services and goods that are not going into the product that are about the way we work all together: we travel, we buy transportation, logistics, media, professional services, consulting fees, et cetera, et cetera. We have

	about 8 billion of that in our P&L every year, and we'll cut 1 billion in the three years to come. This is about short-term efficiency, but I would like simply to highlight for Danone with the model that we build of sustainable growth. Efficiency is not about just the quarter -- the short term. That would be too easy. Efficiency is about being efficient in the short, the mid- and the long term, and so the PROTEIN Program will address the short-term efficiency, but our new function and organization of procurement will make sure we address, not only the short, but also the midterm. And finally, an organization that we've put together, you've -- you heard about it already two years ago, Strategic Resources Cycle is an absolutely essential element of our long-term transformation. This is what will make brands live in the future of this world because this is entering the circular economy for the key cycles of our productions. How to look at milk, not only as an ingredient, not even as an end-to-end value chain, but looking at it as a full cycle. How to do the same with water. How to do the same with plastic. One day, we will recycle more plastic than we're actually using virgin PET. That's how companies will build the future of their sustainability, how brands will be the future of their sustainability with their consumers in the world in which we live. So this span of efficiency goes from very short term to very long term, and it will be my responsibility and my team's responsibility to balance those in order to, basically, create a situation where, by decoupling efficiency and growth acceleration, not only will we be able to deliver consistent EPS growth but also to fuel the growth model. And this works with this [sic] additional little things, which at Danone is called Beyond Budget, and that's the constant reallocation process of resources that I was referring to that we started a year and a half ago now, and that's fully in place at Danone. In essence, I think this is, in a summary, helping us supporting our stronger model of growth. I was talking about a unique, profitable growth model that goes from being profitable for the two last years, sustainable for this year, and going to 2020 where we believe we have everything it takes relative to a number of our peers to deliver what we calibrate as strong, profitable growth. And the new news of last week is we will deliver consistent EPS growth through this transformation and acceleration period. Rather than going for a full-fledged, comprehensive review of our business, I'd like to share with you -- because you've heard a lot about U.S. companies and U.S. markets over the last couple of days. You will today and

	tomorrow. Let me use the U.S. as an example of why we see this market as basically a whitespace, a space for growth unlike many others here. First of all, this is only 13 percent of our total sales. €3 billion for North America with all our categories being present here. I will start with evian®, basically. evian®, which is positioned on the fastest growing segments of still and premium water. A big event happened, actually, 18 months ago when for the first time, still water consumption in the U.S. was bigger than CSD. It had never happened before, but now this nation is actually drinking more water than brown bubbles. That's a very good news for us, and by the way, it's an even better news because the premium segment where evian® is playing is actually growing twice faster than the mainstream segments of still water. So plenty of growth opportunities for evian®. Actually, the growth of evian® outpaced the growth of the category. Our specific category here grew 25 percent last year. We actually grew 50 percent, and we conquered, including here in Miami, the leadership in the premium segment. We consider Miami and a couple of other cities as very important epicenters of this -- the still premium water, which is about -- a lot about convenience and ubiquity of brands for cities that are always on the go. So this is the evian® equation of very strong growth, very high potential, given the fact that gradually American consumers are turning for healthier beverages than in the past. Our second business here is our U.S. medical nutrition. We are one of the global leaders in that business. By far, the leader in Europe with 50 percent market share. We are a niche player in this country. We've built through organic growth and acquisition a very focused portfolio that addresses nutritional needs for the pediatrics on very strong allergies and metabolic disorders that are mostly about teenagers and growing ups [sic]. Very severe, acute nutritional problems. These people cannot survive without this specific food, and we've been growing this portfolio in the U.S. successfully against some of the big guys here to the point where our sales have been multiplied by two in about five to six years, and we've been bringing innovations -- actually there's one coming this year too that really pave the way for future growth in what you can imme- -- easily imagine given the health care concerns overall and the evolution of society why this is so important, and why a category like this one makes total sense for the longer term. So here again, Nutricia business, medical nutrition business in the U.S., poised for growth.

	Our third business here is our early life nutrition, our baby food, which is totally organic so we are -- we don't play in anything other than organic here. With Happy Family, the organic category is completely outpacing the growth of the baby food market. The segment of organic is actually growing 22 percent. Within this segment, Happy Family has been the fastest growing brand with 30 percent growth last year. Number one organic brand outside of Walmart, and, of course, number one brand by far in the natural channel which is really the core of where innovation and consumer consumption is happening in this country. We continue to innovate significantly. We've been the most innovative brand last year, introducing a transparent pouch, a clear pouch. I have to say that transparency in many ways is driving a lot of consumer attitudes towards brands. We took it by the letter here with a fantastically successful range of clear packs where you can see the veggies, the fruits, the purees through the pack for mum to choose the -- or parents to choose the best for their kids and toddlers. The, of course, last and biggest platform that we have here is our yogurt platform. There is a big study every year called Advantages that you may know. It's a study where all retail companies, probably 1.5 thousand of them, are researched every year here, ranking their suppliers. And this is the list in our category and the refrigerated aisle basically of how we rank versus competitors. So that's a pretty good start for us, and we're definitely recognized in this grocery aisle as the number one refrigerated manufacturer, but most importantly, the number one category development. And I think this is very important in this country where so many companies and brands don't find growth, that we are perceived as the number one category development company. Not for no reason. This is how fast the shelf for yogurt has increased over time. Just last year, 12 percent growth driven by our innovations. Can you imagine? 12 percent growth of shelf space available for our products? This is how we're gradually from a nascent category, this is still dairy -- fresh dairy is still a very small category in this country despite our $2.5 billion of sales in it. It's only a third of the per capita of some of the large countries that we have in Europe, not that it should go there, but it's been growing significantly over the last 15 years, and you see here the continued growth of this category. We have the broadest portfolio, including the Greek segment that did not exist a few years ago, so we're collating that Greek segment, and a very broad portfolio that fully brings us the capability -- legitimate capability to drive this category development as a category advisor in most of the large

	retail partners that we have here in the U.S. And therefore, we've been able, through the turbulences of still a nascent category, lots of people coming in, joining in, et cetera, to maintain and sustain a leadership which is actually been growing with nearly 40 percent market share despite the disruption of Greek several years ago, despite the disruption of organic coming and et cetera, through an unparalleled sets of innovations that's also related to the fact that being the global leader in yogurt, we're able to bring to this market a number of recipes and solutions that many others can't. The -- this is only the start because there is now a fast-growing understanding of how microbiotics are important for the metabolism of human beings, and how probiotics and ferments are playing a key role in the regulation of the microbiotics functioning. So the functional health of yogurt is a conversation on social media and science that's growing extremely fast, and that will continue to be a tailwind to our growth in this market. In the same time, it's a very recent category too in a way, and we capture probably weak signals that many others won't in terms of consumer changes of habits. Among these changes of habits, one is the expectation of integrity, of transparence, of cultural that is growing among consumers which, for us, is the basis of what we have called a revolution in alimentation. A revolution where consumers want to be able to trust their brands to understand what they've done for -- they need to understand the ingredients, the processes. The ingredients that used to be back of pack are actually going to be much more front of pack now. One example of that is on the left in this country. We have decided to label GMOs. Whatever the regulation will be, we will label the presence of GMOs. We're not afraid of GMOs, but we just believe that our consumers need to have a choice, and so by the end of this year, we'll do that. And the same is that, for instance, we're going to remove three of our biggest brands, Dannon, Danimals and Oikos, here in this country, $1 billion of sales, totally out of GMOs by the end of this year and mid of '18. So we will offer Dannon and Oikos, Danimals for kids, brands as a leader in each of these segments entirely out of GMOs, fully natural. That means including the milk that we receive from our farmers will be produced by cows that will be fed by non-GMO forage. I can tell you, it's a revolution. We had to go and find the big ags, and they couldn't even supply it, so we started a strategic agreement with one of them, working to develop here in this country, conventional forage again for us to be able to offer that to our

	consumers. So it's a point of view in the world that our brands are taking here, but that's essentially what consumers are going to increasingly willing to understand and to get from their brands. Another example is evian®. evian® is an absolutely fantastic brand. By 2020, so in three years from now and I think earlier in this country, you'll be able to enjoy evian® as a fully carbon-neutral brand. So the way we've disrupted our supply chain, the way we have disrupted our carbon positive initiatives around evian®, is going to provide you with a completely carbon-neutral, climate-friendly consumption of a bottle of water. Another example on the right is breastfeeding. You can hear some companies here looking at breastfeeding as a risk, as they say in their investor relations presentations. We look at it as a responsibility. We consider that as an early-life nutrition company, we need to support breastfeeding, so we embark that into a pledge that is going to transform, and is already transforming, the way we work with many health care practitioners, with government, NGOs to make sure that we self-disrupt ourselves before someone else is actually doing this. This is the fundamentals of what some of called here consumers willing to pierce the corporate veil for more transparency, for more fairness from their brands. Transparency is all these kinds of values that you see here that we've put gradually into our brands, and we're going to c- -- put them into our 2020 brands. One important chapter is this B-Corp B-Lab thing here. B-Corp B-Lab is an NGO that's accrediting businesses for the recognition that they not only go for profit, they also go for social benefit as -- and they pursue this dual goal. You probably know that Danone has been doing that for 45 years with what we call the dual economic and social project. I'm the third CEO of this company in 60 years. My two predecessors have been for 20 years plus on tenure. I'm the first guy that doesn't have the Riboud name, but I can tell you, I'm committed to continue this adventure of this unique cultural pattern of the dual economic and social project of Danone. The B-Corp B-Lab movement is the modern expression of that, and no surprise that we signed a strategic partnership with them in 2015. By the way, we already have a couple of our businesses being B-Corps. Happy Family is one here, but Ben & Jerry would be another one, and Patagonia would be another one here that you probably know as well. Less well known is the fact that we accredited Danone Spain, so the company that started yogurt in 1919 in Barcelona as 100 years old is a B-Corp now. Of

	course, the largest of many of much smaller B-Corps. And we announced that when we combine Danone and WhiteWave here, probably very soon, we continue to target end of Q1 which is coming soon now for the closing, we will encapsulate this big $6.6 billion company in this country under a public benefit corporation holding that will provide this dual vision of the world. We're doing this because our employees are looking for this, and they're joining companies like ours because of that. We're doing this because consumers are increasingly requesting evidences that companies behave properly, not only do they pretend that for their brands. So it's an investment in the future. Now talking about WhiteWave. WhiteWave is -- and again, a perfect combination to strengthen our -- Danone 2020 plan. The mission of the two companies are very similar. They align on our ambition to support people's adoption in the future of more sustainable, more healthy drinking and eating, behavior, practices, diets, and this is fundamentally what WhiteWave's been focusing on in assembling a portfolio of incredible brands. So it's a perfect combination in two ways. One, it's going to take the sustainability and the growth of both the dairy business that I described globally and the plant-based alternative which is like the hybrid or electric car or whatever you want, for food. So we will leverage the power of these two leaders in these categories to create the fu- -- the food of the future for the consumers of the future. The second is that we will double our size in this country. We'll be one of the top 15 food companies, by far, by far the fastest growing one, and as you can see from the Retail Advantage study that I showed, we will combine the number one preferred supplier with the number three preferred supplier in terms of category development and growth. Let me start a brief but yet comprehensive overview of the businesses of WhiteWave. To start with, they are U.S. and EU plant-baseds food and beverages, a slate of great brands. I think a number of you have known these brands even longer than I have, so I won't have to introduce them. Their growth rates are just unparalleled. If you take the last four or five years in the U.S., plant-based food and beverage has been growing 9 percent where WhiteWave enjoys number one positions with the Silk, So Delicious and Vega. In EU, the plant-based business has been actually growing even faster than this, 15 to 20 percent every year, where WhiteWave has Alpro as a key number one player in Europe. In total, what's fascinating about this is that the household penetration in

	both continents are already pretty significant. That means this is not a niche market. This is really a market where a number of you are actually entering and choose to be flexible depending of where you are, whom -- who we -- you are, your moments of consumptions, how much of a diet you want to be on, et cetera. So many people are actually flexible, flexitarians as we call them, and these thresholds are penetrations are really the ones at which we can say that a category starts to go from a niche to gr- -- probably has the potential of being a mainstream. The plant-based category is actually growing pretty fast. If you look at the conventional categories for refrigerated milk, coffee creamers, yogurts, ice creams, the -- and yogurts, by the way, we are the only one, Danone, to grow in this country as we speak. Well, here is the growth in each of these categories of the plant-based version of it, and here are the shares of WhiteWave in each of them: 50, 80, 86, 55 percent. So that's their plant-based business, one of their core businesses that we're going to acquire here. The second point I'd like to make is Silk. We've all been, I think, disappointed with the results of Silk in the Q4, so has been the management, addressing some fundamental flows in the relaunch of the Silk brand contemporaneously with the relaunch of their competitor brand. The [throes?] of the relaunch created this incredible situation where shoppers were actually buying one brand thinking they were buying the other. The result in market share is what you see here. They addressed that very fast. At the back end of the quarter, they were able to come back with clarifying advertising copy, a fully clarifying packaging which translated into the situation where they've closed a good deal of the gap, although still some work to be done. So of course, we'll chat on this, but nothing to do with the potential of the category, and by the way, the health of the brand itself which remains extremely strong. The next stop in plant-based is Europe, Alpro. Alpro has been growing fast. The category has been growing 15 percent the -- including last years. Sales have been multiplied by two. You can look in the various subsegments of beverages, yogurts, culinary ingredients, desserts. The total is a double-digit growth for Alpro on the basis of a market share which is seven times number two in Europe. And Alpro today is only present in four large countries. That's where we are, were we start, with this incredible brand in Europe. Turning to organic foods and beverage -- so that's the organic milk. That's

	Wallaby. That's Earthbound Farms. U.S. organic food and beverage, no surprise, has also been growing about 9 to 10 percent over the last several years, continued to grow significantly faster than any other category here with number one positions for WhiteWave in this category. Again, penetration is interesting. U.S. organic milk is 15 percent, penetration has been actually under pressure recently because of the delta of the price of organic milk versus conventional milk recently, but this is turning around right now, so I think growth will be there again in the future. And in terms of organic salad, it's become, like, now the norm, you know. Nearly 50 percent of household penetration for organic salad versus traditional, conventional salad. One word about Earthbound, which is the problem child of WhiteWave these days. It's a company that was acquired a few years ago. A significant size, $600 million size. The -- it's essentially a very fast growing category in the salad organic business, continues to grow fast and Earthbound has a very significant market share. Yet Earthbound faced problems that I think you know, because WhiteWave has been clear on them. They've been implementing an SAP program which didn't deliver the expectations. That created a lot of short-term problems in terms of delivery supply chains, planning of demand and supply. They had a very difficult Q3 as you can see on that, so that was public already six months ago. Minus 13 percent of sales. They sort of stabilized in Q4, but that came with a cost of a number of supply chain-related extract costs of about $25 million. So clearly this is one situation that will need to be fixed on which WhiteWave is working, and on which we will be working because it has hampered the total growth of the company in particular during the second half of the year. U.S. nutritionals, that's Vega. Vega is riding the growth of protein, which of course is a big word here in this country, but we're talking here about organic, non-animal proteins. You can see the growth of U.S. protein bars: 10 percent for plant-based protein bars; the same for powders, 13 percent. Vega has a number one position on this. It's quite interesting to see that the U.S. total protein powder is about 15 percent penetration, so o- -- as I said, it's not a niche, it's a mainstream penetration, but it's only 5 percent yet for plant-based. So there's still plenty of potential, and clearly here we are at the early stages of what is still a niche. When we look at the continued growth opportunities for Vega, one striking thing is that 60 percent of the plant-based business is going through natural and -- sorry, it's natural is 60 percent of the -- of -- sorry. Plant-based is 60 percent of what the offering of protein are in the natural channel, but as

	you can see it's only 5 percent in the conventional channels. So there's a huge potential here. That translate into the fact that whereas the animal-based protein in the big, conventional channel are growing 5 percent, the plant-based protein is growing 50 percent, so these ratios that I was showing about the plant-based beverages earlier are the exactly the same in terms of relation to growth of plant-based versus animal for the protein nutritionals. The results for Vega is that they grow very fast. They doubled their size last year, which is a continued growth after the acquisition with a 30 percent share niche of that and outpacing the category, which clearly means that we have here a brand that's a leader of this niche, fast-growing business that innovates a lot, and that still has a lot of channel and geography expansion. As they grow into the U.S., they are very far from having a national coverage at this stage. The U.S. coffee creamer is an incredible market which basically is growing on the back of the coffee market which itself is a great, growing market here, and with the trend that the more you drink coffee, the more you want different flavors and the more you're actually creaming, but creaming with flavors, and that's how the growth model of this business is driven. And you can see that U.S. coffee creamers and beverages together have been growing 6 percent over the last several years with a significant leader position for WhiteWave brands on these. Interestingly, the U.S. refrigerated coffee creamer's penetration is 41 percent. That penetration has grown 10 points in the manner of about six, seven years. It's growing not as much now because 40 percent is already a very strong penetration. Interestingly, the U.S. ready-to-drink coffee beverages where WhiteWave launched a couple of interesting innovations last year is only 22%, and I think this is also a very interesting consumer proposition. WhiteWave has been consistently, in the U.S. creamers and beverages, the most innovative company and that's one of the reasons why they've been actually growing beyond that 6 percent even last year even in Q4 when it comes to U.S. coffee creamers. The results of all this WhiteWave short overview is that they produced an organic like-for-like sales growth in the Q4 of 4 percent excluding the Earthbound Farm issues in the Q4 that were actually not as bad as in the Q3, but significant though in terms of delta of growth. They have actually grown 5 percent, so this is under -- we're talking about the Q4 numbers of WhiteWave. If I extend that to the full year of last year, this company,

	outside of Earthbound Farm, has delivered 7 percent like-for-like, top-line growth, totally unparalleled in the global food and beverage space, not even talking, of course, about U.S. A few words about each of the segments. In Q4 let the inam- -- the Americas segments, they've been growing 3 percent on the like-for-like basis. You can see that Silk has been growing 3 percent, which is lower than the category that continued to grow 11 percent. You remember this market share and relaunch that I have been discussing about their Q4. Premium dairy is about flat these days. It's been the case for a while. As I've said, there is a topic to be addressed here related to the delta of organic milk price with conventional milk in a category which is incredibly powerful for the longer term. Fresh food, as I said and as, you know, has not been performing well for Earthbound Farm in the Q4 and need to be addressed, and coffee creamers has been outpacing the category growth in the Q4 with a 7 percent like-for-like growth for this business in Q4 of last year here in the U.S. When it comes to Europe which is a significant proportion of the WhiteWave business, we're talking about a category growth of 13 percent and a total growth of 11 percent for Alpro in the course of the Q4. So these are very solid numbers as WhiteWave is entering together with us in the stages where hopefully targeting Q1 -- end of Q1, we will be combining the two businesses with very strong momentum. In particular, here in America, from our businesses and the North American growth story that I shared with you about what we are currently doing, and how WhiteWave's is growing in this country. The reason why I started by telling you we have a unique story through our current organization, management processes, strategy, transformation of profitable growth versus all the peers and my colleagues on this stage that you've seen. The fundamental reason is here. We have carefully chosen for the last 10 years the categories globally that are the fastest growing. And they're the fastest growing not for no reason. Because they are targeting health topics. Because water, early life nutrition, medical nutrition, fresh dairy, fermented products are good-for-you categories -- better-for-you categories, and this is why they're posting so fast growth compared to so many other categories, and we have leading positions on them. These are our global positions. They are even stronger in some regions. And what we are planning to do with the WhiteWave acquisition, -- if you look at this graph, there are a few holes, and this is how we will match the holes. WhiteWave is going to add another slate of very high category -- growth

	categories to our equation also with leading positions. So in a way, I think we're talking here about the unique growth, a profitable growth model, also because it is resilient. It is resilient for the reasons I mentioned, but it is resilient too through the WhiteWave acquisition because what Danone has been most occupied being basically a French-Italian company 15 years ago -- and Spanish company 15 years ago to what it is today has been focusing on growth categories, divesting non-growth portfolio basically, delivering very fast entry and growth in emerging countries -- emerging countries -- were, like, 10 percent of Danone 20 years ago. As you can see from this chart on the left, it's 50 percent of Danone. But we believe that there is a great opportunity to make our growth even more resilient, to, in a way, decrease the beta of our growth model -- profitable growth model, and that's why we believe that investing the amount of money we plan to invest soon in this country soon with WhiteWave, generating the incredibly good synergy plan that we've prepared for the two companies, is going to strengthen the Danone growth model by having North America gradually be -- or immediately be and then gradually continue to grow 25 percent of our total business and rebalancing our geographies. And to finish, we're talking w- -- this is a chart that the ones interested in our story in this room have seen already on the 7th of July when I announced our acquisition project with WhiteWave. It's a perfect match to fast forward the writing of the profitable growth story of Danone. WhiteWave will add 0.5 to 1 percent of our total top-line growth like-for-like, it will be accretive in margin, and it's going to be a double-digit accretion at run-rate of synergies from year one. So with all of that, I think we're basically -- and as I said, hopefully I convinced you about how unique our profitable growth model is, and I'm happy to take any questions. Thank you, guys.
MALE AUDIENCE MEMBER 2	Thank you. These new categories that you're entering with WhiteWave, you know, clearly, you know, you've seen some issues in the U.S. around Earthbound Farms or in the supply chain.
MALE AUDIENCE MEMBER 2	Are there different -- do you worry that there's different aspects to those categories as, like, their b- -- their fresh foods and consumers came to those categories looking for something new, something different, and what makes you think it's not just a perennial competitive landscape of constant upstarts and constant, you know, new, you know, entrants coming in and

	bringing, you know, the same claims, the same quality, the same, you know, organic product to a consumer who really wants to explore and try different things? How do you brand in that environment, particular relative to your, you know, other businesses globally where you have very, very strong and very established brands and consumers that understand that. Thanks.
EMMANUEL FABER	Thank you for the question. I think the Earthbound Farm situation is one specific, the organic salad business. It's always been tough in the produce market to create strong brands, and I will not elaborate at this stage of where we are in the review of the acquisition about the particular prospects of Earthbound Farms. It's a fantastic brand in terms of its market share right now. It has the potential to grow. It's -- today not delivering because of execution, and I think the question that you ask is a valid one that should be asked in a context where execution topics are solved just to make sure that we understand what's strategic and what's executional. But it's clear that Earthbound Farm's current performance is not a satisfactory one, and we won't let that continue. When it comes to some of the other parameters, I've also got this question that, you know, milk is a pretty -- milk is milk and therefore the same -- would that go the same for almond milk or soy milk? And there, I think, there is a very interesting answer because -- a very interesting point because the truth is that almond milk is nothing like milk. It's a processed formulation of a protein mix, which by the way is not only about almond. There are many other proteins in almond milk than almond proteins. Which, at the end of the day, allows any of the brands to create a profile, a texture, an organoleptic experience for the consumer that is more or less sweet, that is more or less thick, that is more or less waterish -- that is more or less milky, and that is the signature of the brand. And so unlike liquid milk -- conventional liquid milk where basically half and half is half and half, you know, what can you do about it? It's very different when it comes to plant-based, and that is something that Alpro, for instance, in the -- in Europe has been really masters about, and that we see also opportunities to continue to develop for a brand like Silk here in the U.S.
MALE AUDIENCE MEMBER 1	Yeah. Go ahead.
MALE AUDIENCE MEMBER 3	Thank you. Question about the U.S. yogurt business. Actually, two questions. One, in terms of moving to GMO free for the brands you noted, is there an opportunity to also, you know, obtain a higher price point? You

	know, it's been a very promotional category, so can you get consumers to pay more for that point of differentiation? And then the second, just overall your perspective on the -- yogurt category's been very heavily merchandized. Especially recently you've got a large, private competitor who you know has been very promotional, so just kind of your perspective on how that category you think evolves from kind of where we are today. Thank you.
EMMANUEL FABER	Yes, thank you for the question. I don't know whether GMO free, more natural ingredients will lead us to increase the price. Our basic assumption is that we are building a unique consumer proposition which will drive brand preference. This is very clear. This is very clear from all studies here in this market. Consumers want choice, and they want transparency, and so this is what we are going to offer. Are we going to do what, for instance, we have to do in organic where the price of organic is, like, 50 percent higher because the cost of doing business is higher for non-GMO, I don't know because the delta is certainly not, like, 50 percent, so either we will -- we have invested today. Today, Danone in our numbers and whatever you see here, we have taken the burden in our P&L to help our farmers in Midwest and Northeast to transition from GMO to non-GMO and to restart conventional and different crops, pace, different rotations of crops, and it's a whole new space for them to go where, essentially, I'm thrilled about how fast they learn. We -- they -- there's a whole debate about the fact that probably non-GMO yields are going to be lower. There is maybe not so much truth about this, but for the time being, we are making the investment, and we help our farmers moving very fast into this to be able to be on the market mid this year and early next year with these non-GMO versions. My inclination would be not to move the price points just ensuring that this becomes the new normal. This is what consumers will request, and the fact that we have whole milk, whole natural, non-GMO, certified with the Non-GMO Verified Project logo is in and by itself a consumer preference, and I think this is something that no one around us is going to be able to, at our scale in any way, to offer. And so we are going -- my view is more to disrupt the category than try to get an immediate advantage through a price increase that would derive a short-term advantage in P&L, but this is speculation at this stage. The -- on the merchandizing level of the category, I would say that it has always been a very merchandized category. Our largest historical

	competitor is -- has always been slightly more playing on promotions than us. We're coming from a different culture, I would say, but I don't think that what we see today on average in the category is anything different from what we saw in the past. It's always been anywhere between 35 and 45 percent promoted depending on the quarters, the periods, et cetera. The problem is for me more that we're finding it difficult because we're the only guys growing here, and even though we are the category leaders and the category captains, we see these aisle available, the additional space, but we'd love, you know, competition to be building the category, we do it the same way, and this is not happening these days. So the concern is not so much about the level of promotion, but the reason why there is so much promotion which is ultimately not, you know, creating value for consumers and for our retail partners.
MALE AUDIENCE MEMBER 4	Thanks. So one of the big debates we've had all week is the value of direct store delivery. You guys have obviously very different products from soon fresh to obviously refrigerated to beverages, et cetera. Can you talk a little bit about how you guys think about the value of, you know, direct store delivery versus warehouse versus other delivery systems, both from a cost perspective and a benefit perspective?
EMMANUEL FABER	Well, we're using DSDs for some of our categories. In particular, for beverages in emerging countries. In Mexico, in Argentina, Brazil, in Asia too, when that provides us with the ability of having a drop size which is big enough and a frequency of visit that justifies the whole too. Here in the U.S., we've been thinking about this several times. It's clear that a brand like evian®, you know, which has these small formats in many ways could sit on DSDs, but probably not ours. We could easily -- because of the growth, we could easily find partners that could take these brands on their trucks, direct delivery to a number of convenient and proximally stores. For the rest, we're using direct sales force, but brokers too in terms of logistics, and we are so far very happy about it in the country.
EMMANUEL FABER	Yeah, yes, please. Sorry.
HERNAN [SP]	Thank you very much. Two questions. Just regarding the return on investor capital assumptions you gave us at the date of the WhiteWave acquisition. Has these assumptions changed now in the light of the cost reduction you just mentioned? And the second question is, could you give us your view

	about the U.S. tax reform? What could be the impact for Danone?
CÉCILE CABANIS	Thank, Hernan [SP], for your question. So the assumption in term of everything we put forward on the 7th of July regarding the WhiteWave acquisition and impact being the accretion or the return on capital have not changed today. Remember that the way we are building the model and the way we are building the efficiency program is really to make sure that we can progress safely on our journey towards 2020, making sure that we deliver the right combination of growth and margin, and as such, a consistent EPS growth. So this assumption has not changed. In term of tax reform, today there are plus and minuses. It's not yet fully defined, so we will look at that and we will look at potential impact, and make sure that if there are any, we need to get that.
EMMANUEL FABER	Jon.
JON COX	Thank you. Jon Cox, Kepler Cheuvreux. A couple of questions which are linked. Basically structurally, you should have a faster growing business, but it hasn't happened in the last year or so, and even this year consensus is for low single digit organic sales growth. You know, why should we feel confident that you'll be able to actually deliver stronger growth in the future? And a sort of linked question, because maybe the market doesn't quite understand what you're doing, your multiple tends to be pretty depressed compared to other peers, and obviously, in this stage of your development maybe you are at risk of being sort of seen as a takeover target. Wonder if you could sort of comment on that with the likes of 3G Kraft coming into Europe looking at some of the European companies, and Danone always being seen as a fantastic asset, but with, at the moment currently, a pretty depressed multiple. I think historically, the French government has got involved when people have looked at you. I just wonder if any thoughts, you know, on that generally. So it's a question on, you know, why should we believe you because we can see you have a fantastic portfolio. We can see what you're trying to do. And the second sort of question, you know, at this stage in the journey, you must be at risk as being seen a candidate for a takeover just because your multiples are quite depressed at the moment. Thank you.
EMMANUEL FABER	Thank you. So on the first question, I think the -- we have two types of headwind right now: one which is essentially outside of much of our

	control, another one which is entirely in our hands. The one that's outside of our control is that two of our divisions had incredible success in China. We started Mizone in China when I was there in 2005. We failed the first time. We retried. We were successful. It turned out to be today a €1 billion sales brand in China, among the top five beverages -- non-alcoholic beverages brands in China. The Chinese market is under transition. There is -- we used to grow 30 percent for six, seven years, and that was one of the growth engines for us. It's now under transition. Hopefully, this year will be less of a transition, but will continue to be transitioning, and I don't know what the next normal of China will be in terms of beverage growth. We're here to stay in China, no doubt, but that engine today is not working as it w- -- as it used to work, and it's a significant brand in our global portfolio of water. Outside of that, our water portfolio continues to grow in the mid-to-high-single digit. The second Chinese aspect is early life nutrition. It happens that our brands are the most demanded, leading brands in China. And for food safety reasons, Chinese mums are, through e-commerce and traders, supplying themselves with our brands which are the leading brands in the world in Europe in particular which have this very high reputation of food safety. They are imported through a system that the Chinese government wants to rein in, has started to rein in, and therefore, for the last two years now, we've been facing headwinds with the regulation of e-commerce in China. That will continue until at least 2018, and so this is also a headwind. Outside of this indirect sales of e-commerce by traders in China, our m- -- our baby food business globally is growing mid-single digit. I mentioned n- -- medical nutrition. It's a business that we decided to keep -- I decided to keep two years and a half ago. I think we probably increased the value of that business today by 20 percent in ea- -- about two years. It's growing mid-to-high-single digit, very profitable, so there's no headwind there. The remaining headwind we have is the relaunch of a couple of large brands in our dairy business in Europe. Our dairy business in Europe is not -- still not growing. It's anywhere between 3 and 5 percent negative which is clearly unacceptable. We don't accept to manage brands that are negative this way. We focused a lot on relaunching Activia. The relaunch of Activia, by the way, worked very well in this country. It started in June, and Activia is growing nicely here in the U.S. It didn't work in Europe, so I've changed entirely the management and the organization, I announced that last week, and we are restarting to adjust the launch and make sure that starting next year, Activia, which has been a big driver of growth, is not going to hamper

	that growth. I'm not expecting Activia to be fastly growing, but I expect it to at least be decently growing as any food brand should to stay in our portfolio. So -- and so these are really -- this is really the headwind that we have under control and that we did not deliver against the expectation that I had shared, including with our investor committee, that Europe should be back at zero for dairy by the end of last year. It is not, and it will take another year. So that's the reality. In terms of your next question, when I joined Franck Riboud 20 years ago, he was -- he had just been appointed the CEO of Danone, and I joined as -- to be his CFO to start with. His father told me the same, that for 15 years already, that company had been rumored to be a takeover target. So we lived through that for the next 20 years, and I expect to live with that for the next 20 years, and we're just doing what we think is right.
CÉCILE CABANIS	Yeah, I just want to complement, because Jon, you alluded that there was a lack of clarity. I think we've been very clear two years ago what is going to be our 2020 destination and the way we want to go about it. We said we want to avoid that we go for growth at any cost, but we want to make sure to rebalance the model to go for profitable growth, to make it sustainable, and then to reaccelerate. We also said that we will try to avoid to go for tactical growth opportunities, but make sure that we're putting our resource allocation behind the right initiative, that we had the right condition to safely progress on our journey. And 2015, 2016 are exactly an illustration of that, and we continue to do that. So I think we've been showing the direction, showing the journey, and we're making sure we are studied and we are going at the right pace, and that's -- at any speed and at the highest speeds possible.
EMCEE	With that, before we take it to breakout, let's thank the management team of Danone for being here and for providing refreshments.