



Transcript

May 18, 2017

Emmanuel FABER, CEO, Danone

In conclusion, I started my presentation with the words, 'Fit today and tomorrow', and I would like to start again from there. After the last 24 hours, I can only say that the way we have manoeuvred our strategic position from 20 years, two years and since a few months, is putting us in a situation with extraordinarily strong tailwinds for our growth. Let us be realistic and recognise this. I shared all the category growth, the fundamentals, the portfolio choices made many years ago, as well as a few months ago etc. and we continue to do that. When you go through the new DanoneWave, the new Essential Dairy and Plant-based category we are putting together, I can feel and even more so after what my colleagues have shared, the power of what we are creating. These two visions of the world uniting for healthier and more sustainable eating and drinking practices for all of us. I can see the power of that and this is a white space for growth.

You have been through very important workshops this morning on Public Benefit Corporation and B Corp and about how we are driving our nutritional agenda very concretely with the recipes, consumers and authorities. You have deep dived into the Pledge for more naturality, more natural ingredients, non-GMO, sustainable agriculture in the US, concretely with a team that is doing it as we speak. These are examples of how we are addressing the revolution accelerator factors that we see and connect with in our everyday life as a business. Are we up for strong, profitable sustainable growth? The answer is, of course, yes. This is a fact. However, we are very far from being there. We must be realistic too. It starts with the Q2 right now where we construct the New Danone, that is the Q2 that starts this adventure. This is in many ways a transition, putting the portfolio together and only a few weeks ago acquiring effectively WhiteWave, putting the teams and the organisations together, the integration team that you have heard of, now the sales teams at DanoneWave and the same with supporting Alpro's accelerated development in a number of geographies outside of the North American territory. You have seen Paco, Gustavo on efficiency and growth, all of this is happening right now. Since the first of January this year, we have changed the job definitions, organisation, connections that work, of the top 200 people at Danone; there has never been such a change at Danone. This is what we are installing right now.

You did not like the growth in Q1 and neither did I. You will not like the growth in Q2 and neither will I. As Cécile said, we are in the middle of creating this. In Q3 and Q4, you will see an acceleration, a sequential acceleration of our growth. If we accelerate, this is a good indication that this is a bridge to what I said earlier, there is a bridge to what these categories and brands should deliver for the company and the value creation with you guys. It will be a sign that we have been able to address the executional issues on which we are not happy today. Let me name a couple of them. One of them, as Blaine said, is that we will reignite the growth. There are acceleration plans for DanoneWave with customers, innovation and sales force, all together, reigniting the growth of the two combined companies in the US. If we accelerate and deliver higher growth in Q3 and Q4, we cannot do that without them doing this. The same way I turn to their European colleagues. Accelerating in Q3 and Q4 for Danone means that we have been able to turn a few of the red traffic lights on legacy Dairy Europe into orange, and maybe some into green. You heard me say that you would not see the results of the relaunch of Activia in the numbers until next year. I maintain that, but I think that we will see sequentially an improvement, turning from red to orange, orange to yellow and yellow to green. If we grow in the third and fourth quarter, it will be a sign that we are addressing these very important execution topics. The same goes for China related topics. You have heard us say for some time that Mizone, this great brand has been through transition. We will not accelerate our growth without finally landing Mizone in China in the new normal of China, back to the growth with the category. The same with ELN in China. Bridgette shared that we are number two with Aptamil in China and on our way to becoming number one. Maybe we will have good news to share in Q3, because we are launching now a premium version of Aptamil that we have executed in Q1, that is doing very well. We are going to roll it out nationally starting from the back-end of this quarter. We will not accelerate as Danone, unless the balance of the speed at which indirect is declining and we build on the mum and baby stores direct presence, does not balance favourably or us in total. Lastly, going back to a comment you have heard from a lot of us about Brazil. I chose Brazil as an example of a country where we have been able to grow local brands, for decades for some and a few years for others. We have been multiplying sales there by 1, 2, 3, 4 and 5 in some cases and yet Brazil is struggling hard in Q1 and continues to be difficult in Q2. It will not be easy in Q3, but I think you should expect an improvement of the Brazilian situation as we go into the second half of this year. Again, if you see growth acceleration for Danone, it will mean that Brazil will improve.

These are the main reasons why we are not growing where our category, our positioning, our brand should take us. You have also heard us say that we do not rely on this growth agenda to deliver a disciplined financial policy, where we balance the equation of growth, margin and EPS. The commitment of the team in the front row and myself, to you is consistent EPS growth through 2020, which will happen because we will not rely only on these accelerations, we will rely on a very disciplined resource allocation process, a very disciplined Protein programme, that has just started to deliver this consistent EPS growth that we have put in our commitment from now to 2020. I would like to repeat that I do not see Protein as a trade-off for growth, I see it as an enabler for growth for the reasons I mentioned. It will also free-up many hours of work annually for many people who today are doing stuff that they will not be doing tomorrow. They will be able to go back to focusing on the real efficiency and the real growth, to produce that growth. Think about Protein as an enabler of growth and not something, for a company that has this growth potential, is going to hurt growth. We have underlying growth, but the problem is that we are not yet executing to the level that we should be releading the category growth, as we have done in the past in many ways. This is the topline revolution that we have started and that I shared with you to start with.

In a nutshell, I am back to this point, the most difficult thing for me is the word 'and' in the title of my introduction. It is not being fit for today or tomorrow, the point of balance is 'and' tomorrow. To deliver today and be prepared in such a transforming environment for tomorrow, in a unique way. I am sure, and you have heard us say that we are building a unique model. This is where I have to acknowledge that I realise that this is a demanding equity story, because it is a unique equity story, a unique model that we are building. You believe me when I talk about these

revolution accelerators or you do not. Sometimes it is much easier not to. The only thing I could say is that we absolutely know we are not perfect and there are many things in the model that do not work and that is the fault of this VUCA world, just because things do not work properly. We are not perfect, but I want you to know that we are not complacent either. There is no complacency in this team. We are taking action relentlessly to transform this company into what it can become and turning every stone. We are shooting on big elephants in the room, that most of our competitors do not even name or look at. This is the constant tension we live with. Facing that reality and delivering at the same time, reassuring, consistent EPS growth, because I think we need that. We need to deliver in the short term, to make sure that we stay abreast with the reality, rather than just dreaming about the future. That is the tension and the energy of the team at Danone. That is the way the team is working. I am confident that we are going through this transformation successfully, because of what I shared yesterday about the Danone People Survey and the sustainable engagement of people at Danone. There is tremendous engagement from the executives, the 150 people who are driving this with us. They see a lot of opportunities, but they also see risks and downsides to these changes, so it is our responsibility to shift and to balance the way we are working and the speed at which it goes. I am proud to lead this transformation. I can tell you that we are really doing our best, and I can tell you that we need your support. Thank you for having been with us and there is a full commitment by the team to the agenda described here. Thank you.

Document rédigé par la société Ubiquis – Tél : 01.44.14.15.16 – <http://www.ubiquis.fr> – infofrance@ubiquis.com