Fireside chat - Citi Global Consumer Conference 2020

Transcript

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Cedric Besnard: Thank you and good morning everyone. It is my pleasure to welcome today Emmanuel Faber, Chairman and CEO of Danone who will of course talk us through all the questions you may have of on Danone's recent investor update and also what happened in 2020. Just as a housekeeping remark, if you have any question, just please send it to me by email and I will of course then relate it to Emmanuel.

Emmanuel, of course good morning and thank you for being here. If I could just maybe start with a question to set the scene, you started your discussion with investors very recently again with what has been defined as a cost savings program. Do you think Danone's past issues are really related to its cost structure? Was it really just an efficiency program? Or do you think there were wider issues around portfolio, scale, capabilities and in that case, why do you think it was so important to start with efficiencies?

Emmanuel Faber: Thank you, Cedric. Thanks for the question and thanks for having me. Welcome everyone. Super happy to spend this time with you. It's a kind of very special fire chat. But anyway, I'm sure we'll have an efficient conversation. Thanks for starting with this question, Cedric. What we have presented in our capital market event is not a cost saving program. It's a first of a series of events that is about the adaptation of Danone and the transformation of Danone to ensure that we continue to be relevant in this COVID world, which we have called 'Local First' and it is true that we have started with costs. So, the reason that we did that is because I wanted to make sure that we would present an agenda on which we do have control. We have control on our SKU pruning, we have control on our overheads cost, we have control on the organization of the company, on our productivity. If I had come and said at a time where nobody is making any projection, of my peers, most of our, if not anyone is making any projection for even 2020.

Emmanuel Faber: So, if I had started by telling you, "Guess what? In '22 or '21, we'll be there." How credible would have been this projection? So, we will come with growth, because we are very confident, in particular in our ability to be in the mid term on the 3 to 5% agenda that continues to be absolutely the case. But we wanted to start with the fundamentals, which is this reorganization, which is something that we could have done before. The fact is that Danone continues to operate today with three big verticals from top to bottom. We actually do not operate as a €25 billion company. We operate as three verticals of 5 to 10 billion. That's the reality. And when it lands into the countries, it means that in France, we have four different management entities instead of just one. So even in a country like this one, we do not operate as a three billion company. We operate as a three billion divided by four kind of company.

We are the last one, except for Mars basically, to still rely on a P&L, purely P&L on a category basis, virtual basis. Everyone else has moved to a geography-led P&L organization. Sometime with matrix, sometimes direct. So, it was high time that we did that. We were with about 3% growth, not the super growth that we were looking at but we were decently competing with our 3.1% growth average over the last several years and the 50% uplift in EPS, some of the margin from 12.5 to more than 15. All of that was sort of trending but with the COVID world, it's very clear that we need to radically go and change. So we are doing this. And to your point about cost, yes, it is about cost. Our overheads, leave aside the A&P, our overheads are 250 bps above the average, the good average of the good peers, not even the best in class, but the good peers. And our A&P today is roughly one point below, a 100 basis point below.

So there is absolutely no doubt that we need to capture this opportunity of reorganizing the company to fit it with where the growth will come from, which is outside of this vertical that are silos when we look at each consumer in each country, being able to seize adjacent and cross category opportunities on the growth side, much more nimble because people will decide immediately, locally and as I shared already, instead of five instances for routine CapEx decisions that will be only two anyway. So we will be much faster and we will be more nimble from an organization standpoint.

Cedric Besnard: Thank you. I actually have a follow up on this, which is with all the reasons you mentioned before and the verticals you mentioned. Do you think Danone can still afford to be present across three categories with very different economics, water, nutrition and dairy? Or is scale becoming a bit more of an issue, especially compared to your bigger competitors?

Emmanuel Faber: Yeah. Well, this debate is one that I think we're having sort of on a constant basis but not of course for the short term. And it has led to what the company became from the 2000s to the Numico acquisition, the disposal of biscuits, the acquisition of WhiteWave, the pruning of the portfolio. So we do that on a regular basis. I'll put it this way to start with, I think we have the right categories to feed the ambition that we have of 3 to 5% for mid term. I'm not talking about the longer term but I'm really speaking for the mid term, the few years to come. They will be pruned from a geography, asset, business, brand standpoint locally to ensure that it works in the equation that we want for three to five and mid to high teens margin, but they are there and we may acquire a bit more, dispose a number, but that's where we are. To your point about the three categories and the cost basically, including when you think about sustainability, etc. It's quite interesting because we have actually... One of the tailwinds that we have is that we actually started investments in those areas 10 years ago. And way more, compared to our relative weight, than many of our competitors, I'll just give you two examples.

We started the livelihoods Fund, which is a carbon credit fund that works on regenerative agriculture that we started 11 years ago and today is already covering all the credits that we need for the evian on the Volvic brands, for instance, to get them neutral. So we are not like, "Okay, let's start a carbon neutrality program." Where do we start, we've been there for 10 years now and we have other companies joining our funds. Another example is rPET. We all know that, a number of players are going to go for rPET in order to improve the plastic equation. Well, we started the Danone Ecosystem Fund again 10 years ago in 2009. And now in Indonesia, in China, in Mexico, in Brazil, in Argentina, in Turkey, we have waste pickers, collecting PET bottles for us in a very innovative social model, but we shared that also last year already, with that in Indonesia, for instance, we are now able to buy our rPET from this operation that we've been operating for 10 years, at a significant discount to the current price of our rPET, because of the high demand that exists now.

So we've created sort of an inside ability to create that and the same actually for the carbon credits. The carbon credits of the Livelihood Funds, we get them per ton, the cost is four to five euro per ton, compared to a market price for food, ton of carbon which is somewhere between 30 and 40 euros today if we wanted to. So the fact that we started before anybody else and really focused on our categories, I think is a big tailwind for us. The one thing on which we were not ready and I think that we have set this end to end value chain, the design to delivery function, cross category and fully integrated, we are going to be able to really grasp the benefits of the investment plan and digitalization that we announced in February.

Cedric Besnard: I think actually, I'm receiving many follow up questions especially on your point on ESG actually, and I think if I had to condense a bit those questions, I mean you talked about having been ahead of the curve on ESG but obviously companies like Nestle to name just one, have been announcing big investments around ESG. Do you notice an increase in the cost to be a leader in ESG? Back again to the scale argument, and are you starting to see that increase in the cost to compete especially in the ESG front, then I have a question on regenerative agriculture, for instance, where it seems Nestle's spending maybe a bit more than you do. So that would be the first question on ESG.

Emmanuel Faber: Well, yeah. It's a fair question, but my answer would be the same. We started 10 years before and so we have this tailwind that not so many companies have. Second, I don't have 10 categories that I need to deal with, I don't have hundreds of thousands of growers of cocoa or coffee or whatever, in Africa that are going to be under huge pressure supply because we all know that climate change is going to be an adverse problem there. So, we have other problems, we have our milk collection and making sure that we sink the carbon in the soil, etc. So everyone's got their own problem. But I really don't think that there is a matter of scale given where we are; there is a matter of organization. Just take the CDP disclosure results, the ranking of the CDP the climate disclosure project, which is this independent UN based NGO that's looking at the rankings for companies on climate have given us for the third year AAA, we are the only company in Food that received that. You don't have any of the names that you've just mentioned.

So, it's not to say that we're doing things better than others. It's simply to say that with what we are and where we are, I strongly believe that we have what it takes to compete on sustainability.

Cedric Besnard: There is another pattern in the questions and receiving, which is look, if maybe if you could explain, explain to us the expected financial benefits you would expect from your ESG investments. Could you help us make the connection on ESG investments and the long term financial benefits for the known, of course in particular?

Emmanuel Faber: Yeah, well, I think there are a number of both short, mid, long term benefits, obviously. The first is the fact that we believe ESG is fundamentally a matter of resilience of our business models. On actually the three the E, the S and the G, that's a fundamental one and I think there is now a consensus among investors that ESG is a critical metric for the mid-long term performance. We started that a long time ago, we are sort of structuring this approach as we progress and the B Corp journey is one of this progress, the B Corp of journey shows that and I think we shared that already, this interesting example where our syndicated banking loan that we refinance for €2 billion was indexed with a positive impact on the interest rate, as we were going to have more B Corp coverage as part of the Danone portfolio. So it's an indication that mainstream value investors, banks understand that there is either better alpha or lower beta for companies that are really engaged on these topics.

It's actually part of the long term incentive programs for our management teams as well because of that, of course. I showed a couple of examples by just saying investing 10 years before everyone else on carbon credits in sinking in the agriculture, we now can collect 10 years later, tons of credits at €4 a ton instead of €40 or 30, or even €20 on the market. That's another example. So and if you think about regenerative agriculture, which is a term that we started five years ago and now is vastly popularized, for me it's fundamental because the carbon is not an externality in a business like Danone. The carbon is the health of soil, it is the 58% of the organic matter in the soil is carbon. So unless we sink back carbon through regenerative agriculture, there will not be farming in the future, we know that for sure. And many agricultural companies start to realize that, Nestle and others but actually others and we started the coalition on biodiversity exactly for that. And 25 of these large companies, including Walmart and others have joined us on this because we all know that as an industry, as companies we need to address this in order to be resilient not in 20 years time, sometime in even five years time.

You take almonds, almonds are pollinated by bees and bees are declining like 20% per annum in terms of volume. So unless we protect bees around the almond plantations, whether that's in the Mediterranean region or California, we will have to pay a cost as a business. So this is where the ESG is so important and the social part of course is very important and for Danone, we've always measured the engagement of our people, our ability to attract talent has never been as high as when we have actually started formally this B Corp journey, because it showed a sort of a North Star for people that wanted to also get purpose in the job that they have and today this is why we have engagement rates at Danone with all our workforce, which is way beyond the average outcome of competition and which is actually even higher sometime than the high performing companies.

Cedric Besnard: Thank you. And if I move to a kind of a second building block in the questions I'm receiving, which is about portfolio, first maybe as an introduction, what prompted your decision to start with Argentina and Vega for your review process?

Emmanuel Faber: I guess simply because we were ready. And that's an ongoing process and you would probably have to expect more in the several quarters and years as we are trimming the portfolio and pruning the portfolio to the equation that we want. And simply put as I think most of you know, Argentina is a country where our sales growth is negative, our cash flow is negative where we have to put cash every month and our margin is negative. So just for the EDP business for instance, the day if we decide to and find solutions for exiting or disposing of the EDP business in Argentina, our EDP margin would jump by 100 basis points, on half of the total company’s portfolio with EDP. So that's it, it's a very pragmatic approach. We were ready, we shared and then we will move.

Cedric Besnard: One elephant in the room is obviously the Waters business and you had many questions in the past on that already. Do you believe there is a benefit to having a global presence in waters? Or could there be a future where you could refocus on less more value added brands only in a selected number of geographies?

Emmanuel Faber: It's an interesting question that for me raises a more general one on which I will just pass very quickly which is, what is global? I don't know what is global in particular in this world, which is being fragmented from a political standpoint, a trade standpoint, consumer standpoint, localizing in many ways. I don't know whether being in 10 countries is global or whether this is being in 170 countries, in which case you don't have many global businesses. I think that the biggest element that has always been clear for Danone since literally 20 years ago, in the way we've built our portfolio, it's not so much about the idea of becoming a global leader. It's about becoming a global leader because we are the number one or number two player in most of our countries. Because if we are not this number one and number two player or if we don't think that there is a journey for us to become that locally, it probably does not mean that even if we were the global leader, we would be weak on all of our markets.

So this question of where do you want to exercise the pressure of size and competitiveness and relative market share basically, is very important. And to that point, I don't think that there is a global water market. And frankly, there has never been. So it's interesting that a few competitors have at least I know, let's say five, six markets in which they are present. There are not so many, there are four or five let's say, we are amongst them but we do not have a global footprint. So for me, the water business is going to be absolutely part of the review as the rest and we will review country by country, whether the assets that we have make sense or they don't make sense versus the equation.

Cedric Besnard: Thank you. And I guess a follow up on Waters in the disposals with this new business model you are trying to build, what kind of balance sheet should we expect? And in other words, if you were to receive proceeds from any disposals, what would be Danone's standard capital allocation policy? And I guess also, my own question would be on your ROIC focus as well, if you could maybe shed some light on this?

Emmanuel Faber: Yes. Well, I'm really of the view that we need to be pragmatic on leverage, given how the financing market works right now, so having leverage is good. Let's put it this way, in the current circumstances. So we have this deleverage plan that's underway and under control, when we will be over with this plan and consider that we are where we think we should be, which is not in the too distant future and plus the acquisitions or the disposals that will emerge from the portfolio pruning, there is no doubt for me that we will return that money to shareholders. We were among the first companies, I was actually the CFO by that time in the early 2000s, we were among the first companies in France that started share buyback programs and we have returned, for the decade from 2000 to 2010, billions of euros of excess funds on our balance sheet to shareholders. I'm on the same view right now. I think that beyond the sort of the statutory discussion about dividends, share buybacks are a very good way in a very flexible way, to adjust our leverage.

To your question of ROIC, we continue to be really focused on capital allocation. I'm clear that our ROIC this year, in particular is taking a dip including for a number of reasons, including the big Forex exposure that we have on some of our emerging countries, where we have a portfolio that is probably more concentrated than some of our peers. But we are committed to have ROIC working for value creation. And I have to say that for me and back to what you said about ESG, as well, there will not be a case for what we're trying to do here, if it doesn't show in the share price. And for the time being it doesn't. And I know, this is frustrating for everyone, probably for me more than anybody else, of course.

Well, I mean, you're smiling but I'm probably the guy around this discussion that is most exposed to Danone stock, it's 80% of my net worth, I have no other, not a single other equity than Danone and I make this pledge when I took my job and I will continue until I do something else. Because I just want to be consistent in the decision that I'm making and taking the same kind of risks than anybody else is taking around this call. So I know ROIC is a fundamental of this in the long term. There have been discussions about total shareholder return, and we know why we're in a way reluctant to that but I think that at some point, it would make sense probably even for me to be incentivized onto total shareholder return. So we'll see how things unfold, but this is to say that from the leverage to this ROIC question, for me, it's really about how do we make sure that we maximize the conditions for shareholder value creation around the financial metrics and incentives of the company.

Cedric Besnard: Thank you. I'm going to move to another building block, which is actually related to the other, which is growth and your categories, obviously. If I start with more kind of a top down question, if you look at the changes brought by COVID, in your categories, how much of your profits or revenues do you think will be permanently lost or affected, be it out of home, cross border, how much do you think will recover and how are you adapting the organization to this?

Emmanuel Faber: If I had an answer to this question, I don't think we would even be speaking, I would probably be very rich. And so I don't have an answer to what's going to disappear forever and what's going to recover, and when and what's going to etc. We are still in the, everyone I guess, and this is why you don't see any company making any projection about growth, in particular in the consumer space because we are still learning fast, of course, learning about the real lockdown and what's going to be the third wave and how is the vaccine going to work in the UK? And what to apply in Europe about this? If you have answers to these questions, I take them and then I can answer your question. So in a way, what I'm seeing is that what we are very clear about is that this localization factor is fundamental and it's going to unlock our growth ability beyond even the simple potential of our categories, because we cannot drive those categories anymore from the top, we need to drive them bottom-up, basically.

Fundamentally, second point is, if you look at the couple of next, I don't know three years, water is going to come back, I don't know how much but assume we are the mobility index, which is overall in our country is minus 20% versus what was the peak of 2019. Assuming it goes back to 2019, in three years time, that is a compounded growth of about 6% per annum for the next three years, if it does. Assume it only goes back to half, it's a 3% minimum growth for water. And if it is shorter is going to be higher than this, but I don't know. So we are adjusting our spend, our costs, our organization to be able to seize these opportunities as soon as possible.

If you think about specialized nutrition, there is a whole space that I think is going to stay for a long time, medical nutrition of which we are the European leader, the leader in China, is going to stay, absolutely no doubt, and it's going to accelerate adult medical nutrition that derives into Healthy Aging, we created an acceleration unit on the Healthy Aging, which will be based in Southeast Asia on which we already have a few platforms and we will discuss that with our investors sometime in H1 next year as part of our growth related event. Personalized nutrition is going to be fundamental because everyone understands now that there is a direct correlation between the risk that as a person I have of comorbidity factors linked to obesity, to diabetes, and non-communicable diseases that are related to my diet. So, we see that part of this is actually plant-based, there is a huge avenue that is even more open for plant-based with COVID, given some of the nutritional aspects of plant-based versus animal protein on diabetes, in particular. So all of these are sort of tailwinds that I think are going to accelerate.

The point of volatility is going to be on early life nutrition, the babies, because people are buying pets and actually more cats than dogs. But they are just postponing their baby plans. In many countries, we see that it has been accelerated in China, there are some projections for the US and I'm speaking quite lightly about the US because the only business we have is our small but super good, Happy Family, the leader in organic there, which has its own demographics, I would say, which are easier than the general demographics of consumers and mums in the US. But we're speaking about 12% plus birth numbers in the US next year, probably in the first half of the year. So, is demographics of the world, are they going to change forever or unless void means that the 10 billion or will never be there at the end of the day? I don't know. But this is an element that we see as continued volatility in the next couple of quarters, of course. But like after any crisis, there will be a rebound but I don't know when.

I think even in this element, what is going to drive us is the fact that there will be a tiering of the market between people that can afford this healthy approach and that includes on babies, of course, and even more because what we can see now is also the tendency of middle class families to continue to invest in the nutrition of their kids by pushing the stages, the age, the journey of babies is pushed into toddler and beyond that into stage four now in a number of countries where our brands are well positioned to do that. And on the other side, that will be the people that need affordability and for which I think there will be a two tiering of the market, which I think is something that is going to stay for quite some time. Sorry, have been long, but it's a super complex situation to describe.

Cedric Besnard: Actually, since you mentioned nutrition and you know the complexity of the market, obviously I do have a few questions on the ELN business and especially China. And given the rising share of the domestic players and the talk that has been about it. First of all, what is your view on that particular market? And second, have you identified any other market where Danone could invest in case that particular profit pool becomes a bit less attractive for you?

Emmanuel Faber: Well, first of all, there is a quite broad consensus on the fact that the category in China will continue to grow, because of premiumization, mostly, and because of what I said, which is this longer journey when you start from stage one, two, three, and now extend to four. So the projections to 23, 25 are all positive whether they are made by competitors themselves or outside institute's or analysts, all converge. That may not be the 7-8% that was in the past but that's a very reasonable rate. So we continue to be positive about the category in the long term beyond the COVID space. Second, competition from Chinese players was there and is increasing. The major factor of change, I think, recently over the last two years probably has been Feihe of course. There is not really any equivalent of Feihe, I would say at this point in time. And it's quite interesting to see that Feihe has essentially taken market share not from the international players, but from the domestic players because you continue to have 1000, actually nearly 2000 Chinese brands on this market, which is half of the total market in the world just to reminder.

So it's quite interesting to see that all the others kind of category and the market shares have actually significantly decreased as Feihe and a couple of others were increasing, so Chinese against Chinese basically. Then there is a longer term trend, which is about China pride that's been there reflected already several years ago, I mean, it probably started around 2010 and it's there, where gradually we believe that more mothers will have options to choose for Chinese brands. Having said that, even Feihe, I think is describing the market as one that needs consolidation and we would fully agree with that. They are saying in any given market, the top four or five players in baby food hold like 60, 70, 80% market share. So China is a bigger market. So probably that's not going to be the case but there will be consolidation, that's what they say.

We consider that our brands which are today, the leading brands, international brands are actually leading in China, Aptamil in particular, are going to be among the leaders among the ones that in three, four or five years will stay. We are actually winning market share both in the indirect channel and the direct and domestic channel with Aptamil Profutura and Platinum. So we are actually gaining share in both and the reason our share is declining is because, of course with the COVID closure of borders and everything else, the international channel, the indirect channel is slowing down very quickly but it's a mix effect. So, that's what I can offer. In terms of other countries or geographies, areas, there is no other China. I mean, let's face it in terms of the... I mean, in any industry there is no other China.

So interestingly, if you look at the demographics, the demographics are very favorable for an area in which we are already very strong, which is the Asian markets. Africa of course, but certainly not at the same price points, profit margins, et cetera, but Africa is there and we are already the leaders in the French speaking Africa, the west part of Africa but there is a whole long term plan to continue to grow with what we have beyond that particular area in Africa. India, we are already the number two player with early life nutrition. It'll continue I think to be a very regulated market and therefore I think it will be more about stage two, stage three family milks et cetera than pure IMF products in the future. But India obviously, when it comes to kids nutrition, I would say, is obviously a big potential for the long term.

Cedric Besnard: Thank you. If I move to dairy now obviously we do actually receive a few questions. I guess I'm going to start with plant-based. What underpins your confidence to which your plant-based targets? Are you seeing more competition in some of your plant-based sub segments, either from the small or the big players. And the question I've received online is whether that would be an area where you could consider a bit more external growth opportunities or if you think you have what you need with WhiteWave legacy business?

Emmanuel Faber: Yeah. Well, we see this acceleration as we speak. So we will update you on that when we recycle one year of COVID, on what remains of this acceleration, the longer term trends that are that we've been discussing, we see the growth of coffee and I know how much it is helping some of our super large competitors right now in terms of growth. I mean, Pet Care and coffee, obviously are super interesting categories in a crisis like this one but we also leverage the coffee part with our coffee creamers and our own coffee solutions. Interestingly, we are now as big as Starbucks in the US in the ready to drink single serve cold brewed coffee, with our Stok brand which actually we started right after the acquisition of WhiteWave. So there are sort of the adjustment part of the plant-based which is growing very fast.

We do see more interest, and in a way competition, than, I don't know, 18 months ago, let's say, but nothing radical. The relative size of our businesses, the R&D spend that we can put in that continues to give us a strong advantage, we are actually now entering into the next generation of plant-based nutritional and environmental equations, which is a big part of what consumers are going to look for even more than now, using AI, we may share that with you when we meet on H1, so it's really taking it to another level with some interesting startups that we are partnering with to invent the ingredients of the future. So it's quite interesting to leverage these new technologies; a company like Alpro, which continues to be a six times bigger than the number two in Europe, and has the ability to go as far as China, basically.

So, that's really the second part. And of course, I've seen my good friend, Alan, making some commitments or indications that he would target by 2027 1 billion. Well, as you know, we are at 2bn nearly so we actually welcome and I'm not complacent with mentioning this, we welcome the level of interest that is in there because it will help shifting even more towards this category. The next big aspect I think, will be in our direct category of milk and yogurt and fermented is going to be when can we break the barrier of taste and organoleptics, which is you don't need to beat the other plant-based, you need to beat the real dairy. And there is only one company that knows how to do that, and that's Alpro.

We are working super hard on that because once you come to that, then your market is not only the enthusiasts but the mainstream market. So it's another horizon of growth on which we are working. And again, we will update you on that. To your last question and acquisitions, we will consider a bit of add ons and technology, assets; we bought this company in the US cold Real Food Blends. It's quite interesting. It's an organic, vegan ingredient specialist for medical nutrition purpose. So for patients that are today treated with formulas that are super engineered, extremely chemical, and syntheses ingredients, they have found ways for a number of alternatives where patients would actually get organic and vegan food with the same benefits at the end of the day. So, we see that as a very big potential and this is why we acquired this company in the US last month but this is simply to show how we will add on the bits and pieces that we think we continue to need to grow our franchise.

Cedric Besnard: Thank you. On the category from there is one question obviously which comes back as well which is on your regular dairy business. In a way, what do you think regular dairy needs to grow at so that you can actually comfortably meet your longer term growth ambitions? And maybe that differs by regions obviously, if you want to elaborate maybe a bit on this.

Emmanuel Faber: Yes, well, if it started by not having Argentina, it will help. So we are working on this. And there will be a number of other geographies as we did in the past, for Korea, for Colombia, for Chile, etc. So we will prune further the portfolio. I would simply say we need it to grow. It's as simple as that and we believe it can grow, and it is in many markets. Why am I saying that is because we now are really looking with this vision of the flexitarian approach, the biggest consumer pool growth in the coming three, four years, hence, Unilever's and others interest in that space is the flexitarian consumer. And therefore, we stop looking at solutions individually that are dairy-based on one side and plant-based on the others as you know, we're also migrating our brands from one to the other. So I'd say fundamentally, it needs to grow but we are looking at it and we are talking to the customers as one single entity and category which is this either milk-based or alternatives or fermented solutions proteins, whether they are dairy or whether they are vegetal. So I guess that's my answer.

Cedric Besnard: Okay. And if I move now to a totally different topic, and it's outside the growth and category standpoint but it's maybe not so much, it's about the organizational changes you announced recently. The question I have is more, what do you think it will actually change, is that on execution and market shares? Is that on the efficiencies? The speed to market? What do you think overall those organizational changes will bring Danone?

Emmanuel Faber: Well, I mean, you named them all. The fact is that in a world that is linear, you can be 100% category driven because it means that when Carrefour enters in China, we are coming as their partner in their category and they push our products. Same with Auchan in Russia, same with Tesco or Ahold Delhaize in the US when they go there. But the things are just changing so fast now, that it's not the case anymore. I mean, most retailers, what we call global customers, are not global anymore. I mean, back to what we discussed about what is global, what's not, companies like Carrefour have what they call a G6, which actually is a G4, where actually France is 40%. And same for Tesco and same for Auchan and send now for Walmart, maybe Walmart would be an exception, but there aren't many of these exceptions.

So they are at best multi-markets. So if you have that and you have consumers that are blurring completely the categories, I mean, they're not back to this, plant-based situation, they're not looking at the shelf as one side is dairy, another side is non-dairy. We really need to be able to look at the consumer reality and start it from bottom up, which is different in Turkey from what it is in France and make sure that from that we derive the best allocation of resources where the innovation is going to be put beyond the question of whether we are a yogurt company or a water company.

And so it completely changes the paradigm of innovation because it brings it at the root where it should be. So it's a big change. The second is, we will act as one in each of the countries as I just said in France, we are today acting as a sum of four different entities for €3 billion of sales, we are not acting as a €3 billion company in France, what we should be doing. So we will have only one management team, so it will be less costly. We will be able to make synergies across categories and we don't today other than in support functions for transactional finance, transactional HR, tax returns and things like this, IT are in services but the real part of actually doing business, selling, producing is completely separated today. And so when these guys want to make a decision, they have to escalate to the region and then to the vertical category organization that's at the global level and then it goes down. So, we will be much more simple and much less costly than we are today.

Cedric Besnard: I'm being kindly told that we are running out of our 50 minutes time and so I'd like really to thank you very warmly for the time you gave us and we do on behalf of the Citi and everyone thank you very much Emmanuel for your time.

Emmanuel Faber: Thank you, Cedric. Thank you for having me with you and I really look forward to see you all at latest in our H1 growth event and take good care of yourself and your health.

Cedric Besnard: Take care. Thank you Emmanuel.