



**DANONE**  
ONE PLANET. ONE HEALTH

Investor Seminar  
October 22, 2018

## **Specialized Nutrition in China: a Strong and Sustainable engine for growth**

Bridgette HELLER  
EVP, Danone Specialized Nutrition

Bridgette Heller  
**3 years at Danone**



- 2016** ● EVP Specialized Nutrition
- 2010** ● EVP Consumer Care at Merck & Co
- 2005** ● Global President Baby Global Business Unit at Johnson & Johnson
- Prior to 2005** ● Senior positions at Kraft Foods

1

## context

China, a key  
growth engine

2

## short term

Maintaining Leadership  
in a shifting landscape

3

## mid-long term

Great potential  
to capture new  
opportunities



1

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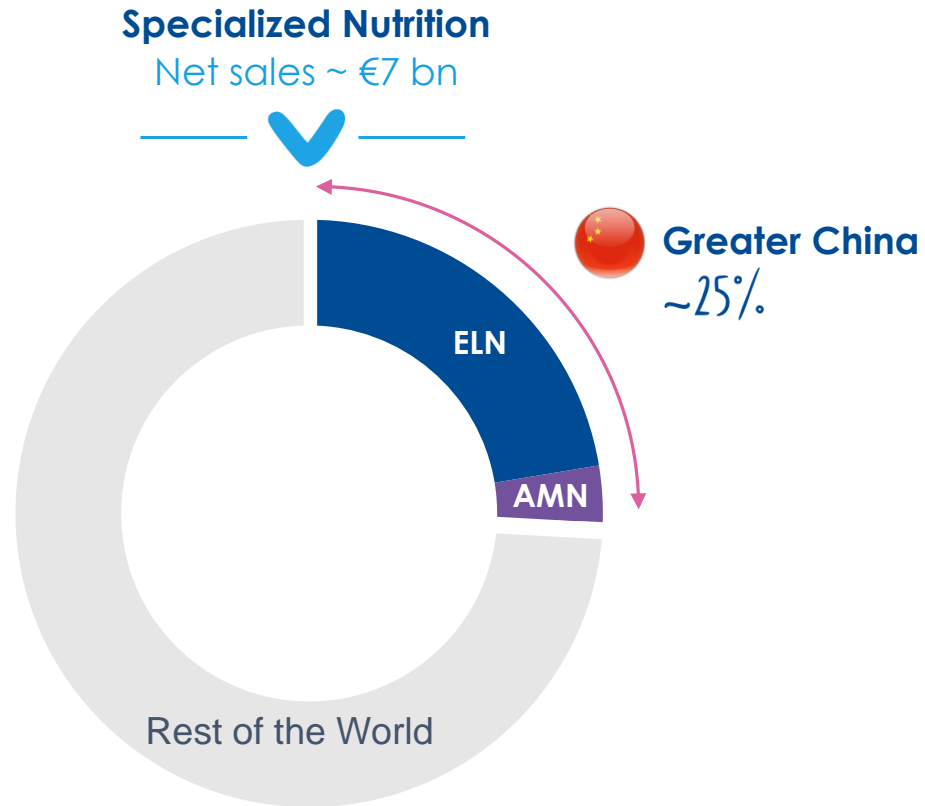
## mid-long term

Great potential  
to capture new  
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# China is large and growing part of Specialized Nutrition Portfolio

- 1  
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## pediatric nutrition

**Infant Milk Formula (IMF)**  
TOP3 Player  
Aptamil #1 Brand

**Allergy Management**  
Neocate  
#1 Brand with HCP's

## adult nutrition

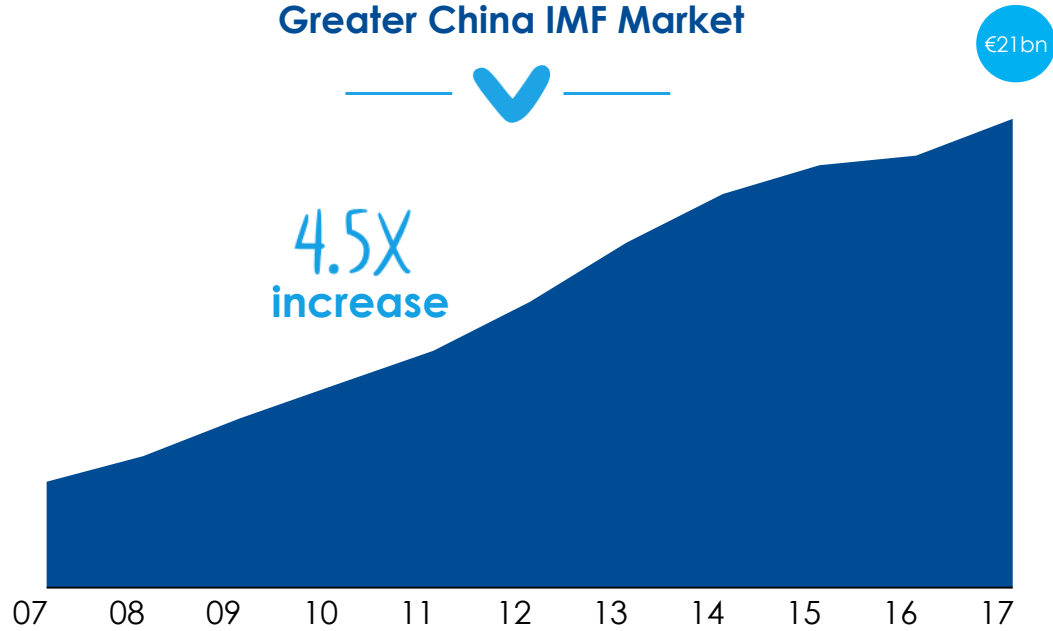
**Enteral Nutrition**  
Nutricia # 1  
Adult Nutrition Brand



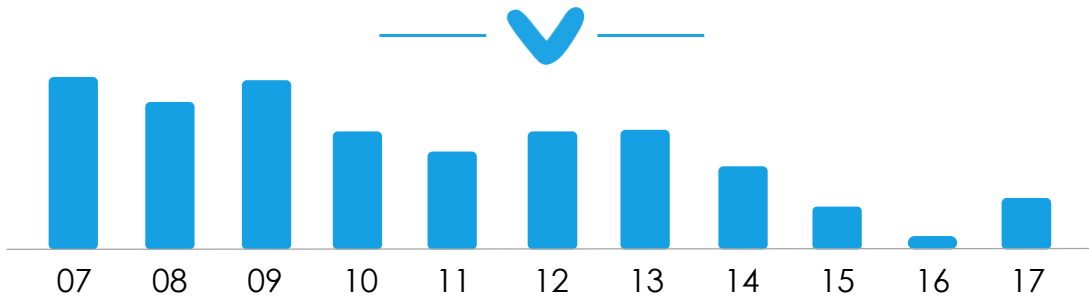
# 10 years of massive growth of IMF market

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## Greater China IMF Market



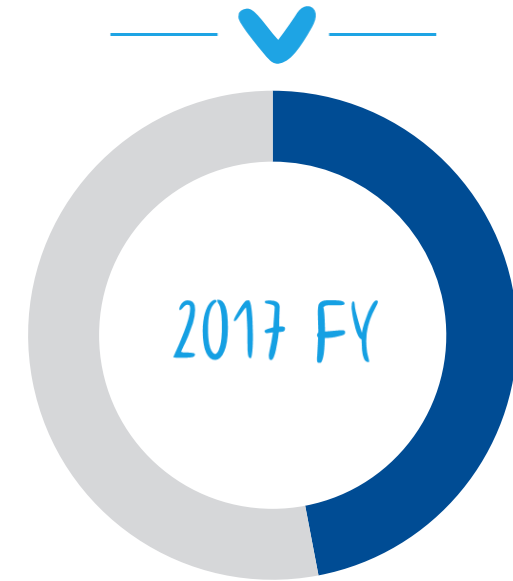
## YOY Growth



Source: Euromonitor Packaged foods value

- Baby births
- Urbanization & middle class
- Safety Concerns
- Premi-ization

## Infant Milk Formula Global Market

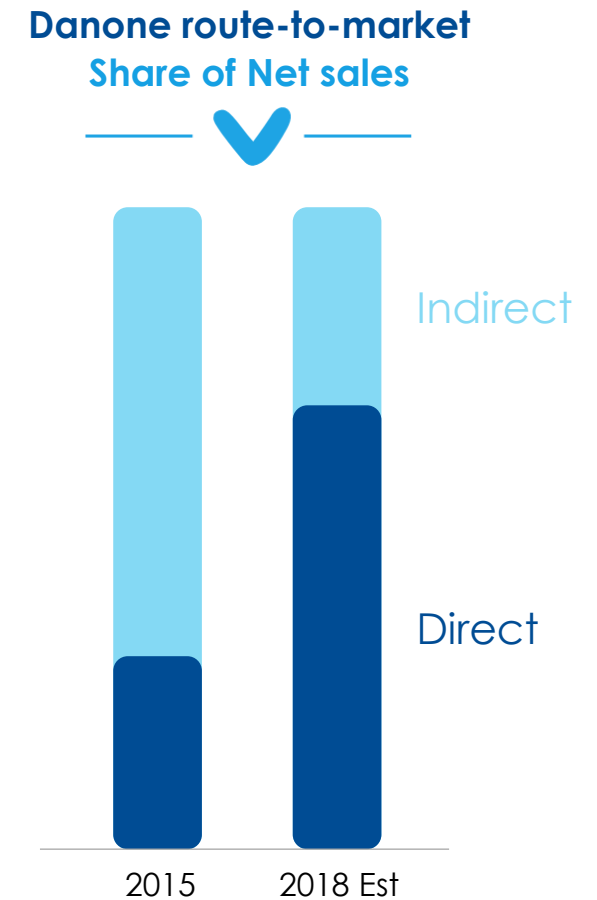
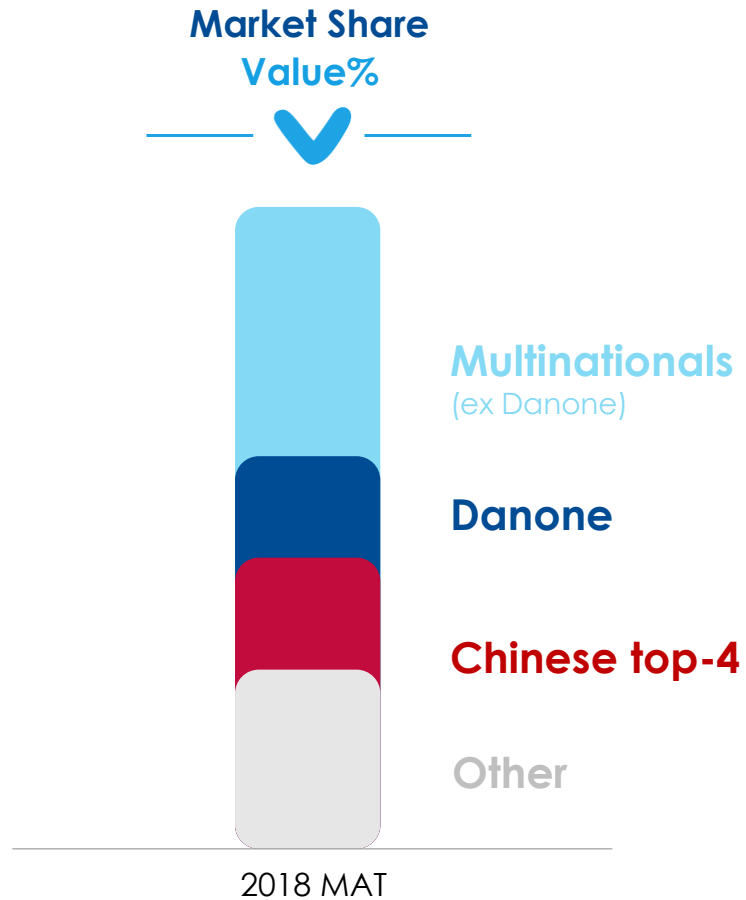


- Greater China
- Rest of the world

Source: value, Nielsen, Smartpath

# We outperformed category while building a more sustainable IMF business model

- 1 context  
China, a key growth engine
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Great potential to capture new opportunities



Source: Nielsen & smartpath IMF category ; Internal netsales

# We are successfully building Direct channels to address sustainability of RTM

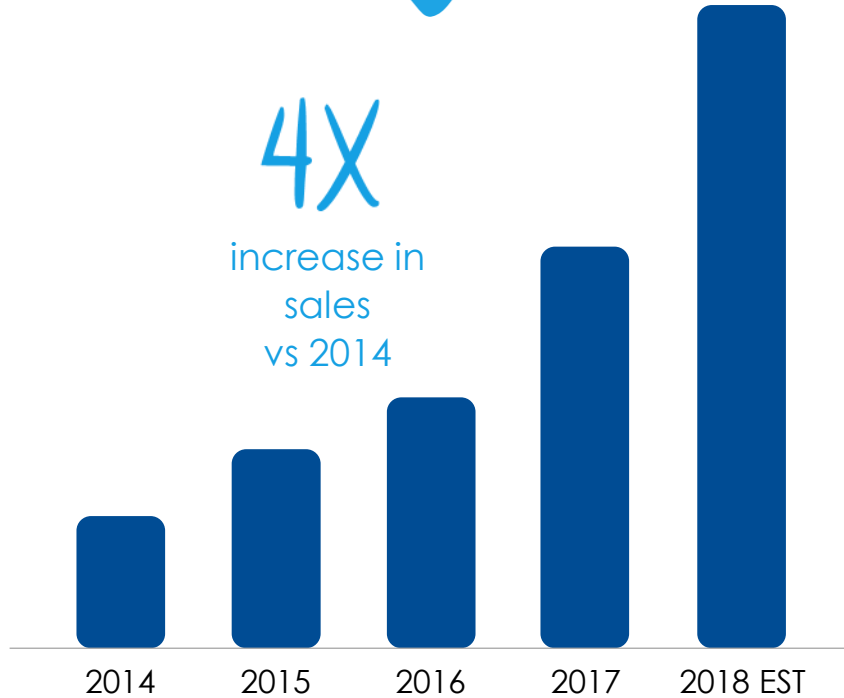
- 1 context  
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### Direct China Net sales



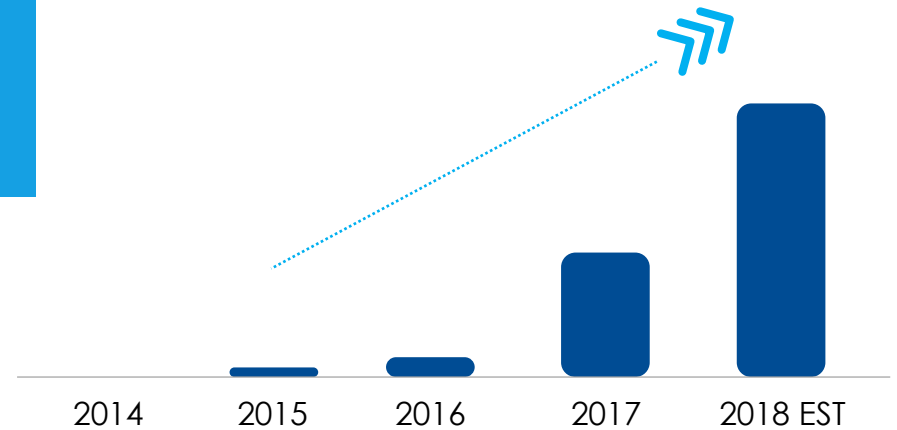
4X

increase in sales vs 2014



~€1BN

### Direct International Net sales



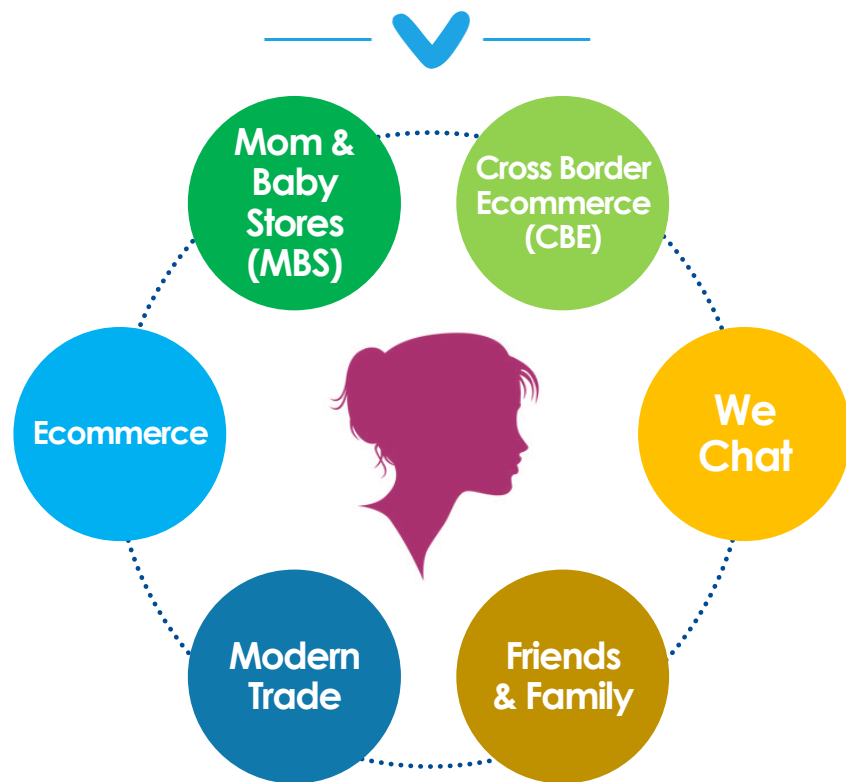
Source: internal



# We established IMF leadership leveraging key specific capabilities to win in China

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## Omnichannel Reach



## Strong Global Brands

Two product images are shown side-by-side. On the left is a can of Aptamil 3 Pro infant formula. On the right is a can of Nutrilon 3 infant formula. Above the Aptamil can is a dark blue banner with white text: "Champion exposure-led parenting to become the No.1 culturally resonant parenting brand". Below the can is a blue circle containing the text "#1 IMF Brand". Above the Nutrilon can is a green banner with white text: "Reconnect Chinese families to nature to become the No.1 socially responsible parenting brand". Below the can is a green circle containing the text "#5 IMF Brand".

# We have also built strong leadership both in pediatric allergy and in adult hospital nutrition

<b>1</b> context China, a key growth engine	<b>2</b> short term Maintaining Leadership in a shifting landscape	<b>3</b> mid-long term Great potential to capture new opportunities
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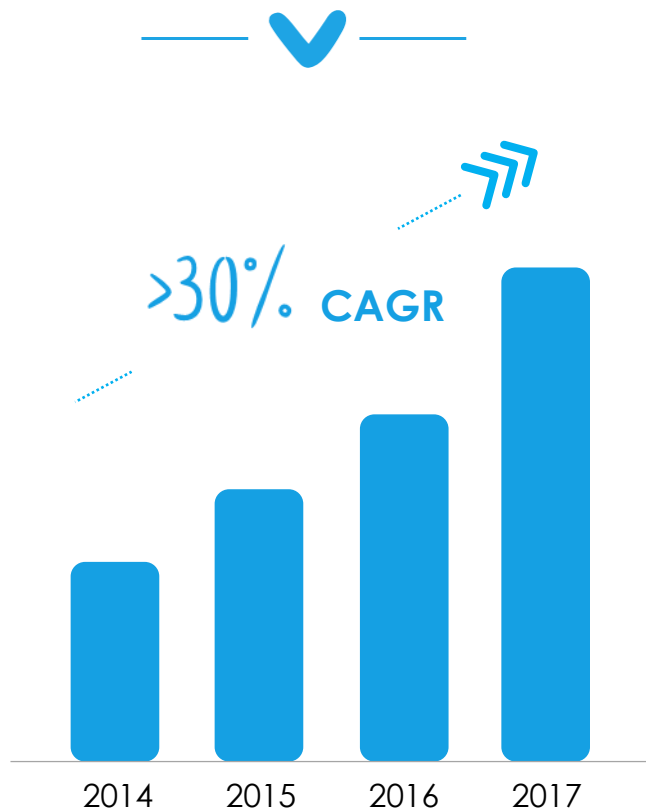
**Neocate**

#1

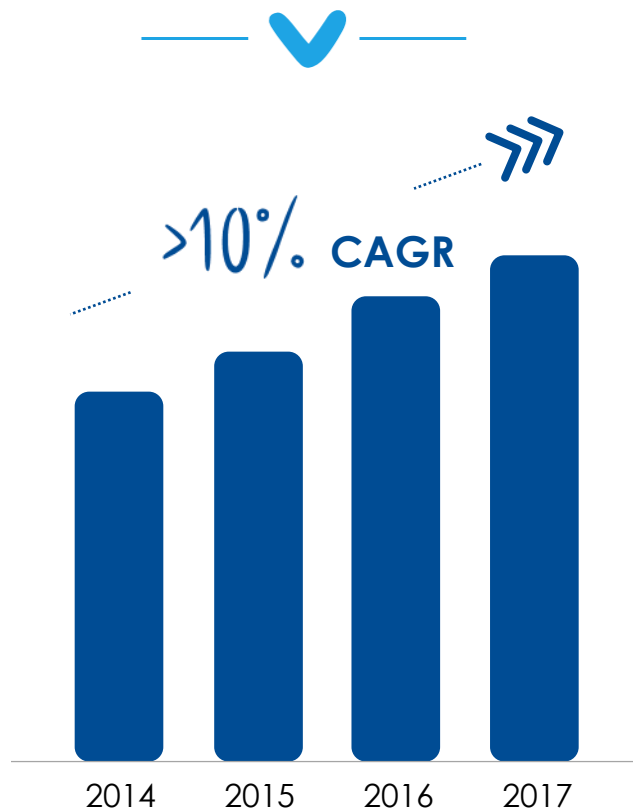
HCP recommended brand



Allergy Management Market



Enteral Nutrition Market



**NUTRICIA**

#1

Hospital Nutrition brand



Source: internal

1

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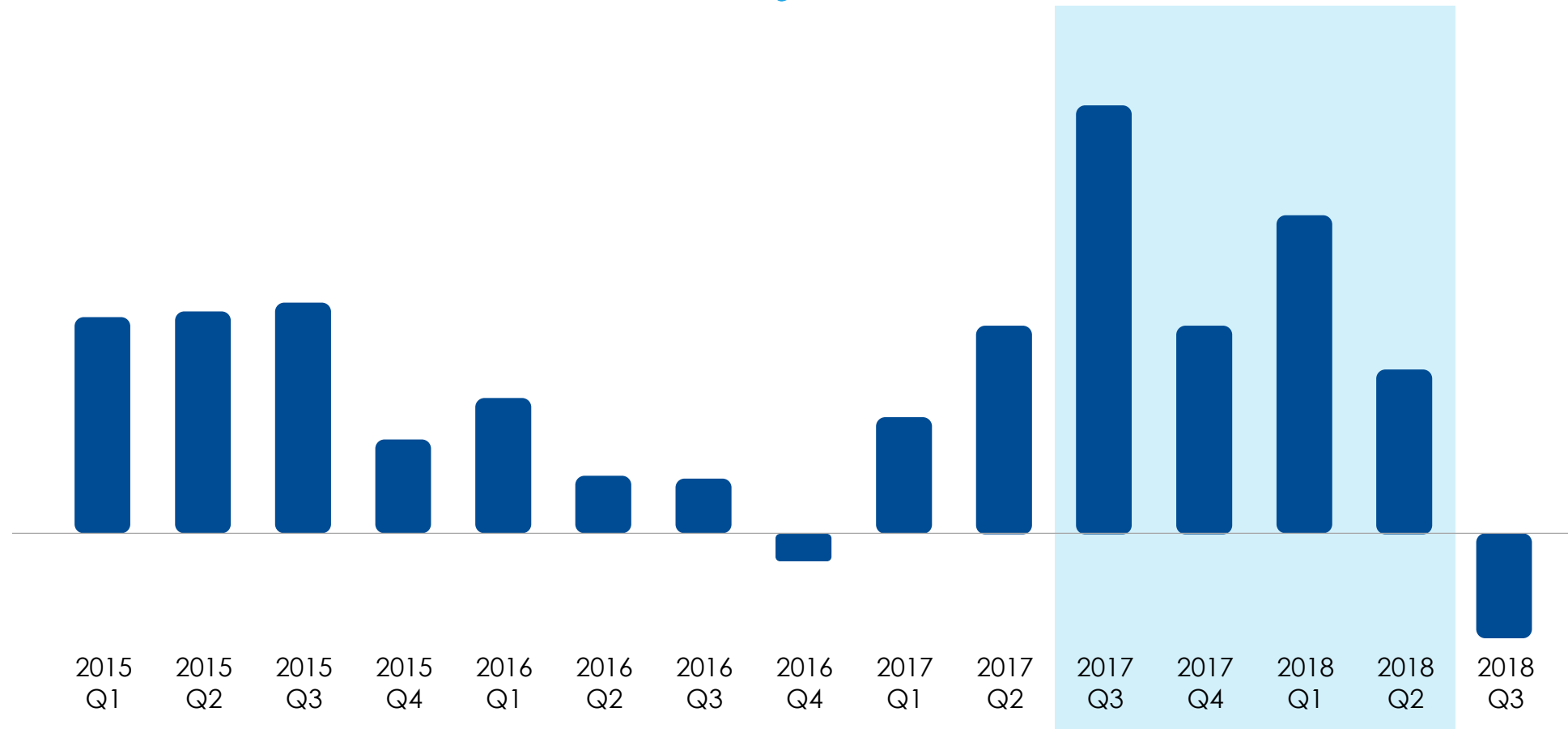
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# Performance softening after four quarters of exceptional growth

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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China Specialized Nutrition Quarterly growth rate  
% YOY change



Source: internal, like-for-like Net Sales year on year evolution

# In the short term, a few factors putting pressure Market is expected to continue to grow

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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**shrinking  
baby pool**

Impacted by  
demographic and  
lifestyle trends

**regulatory  
changes**

Reinforced regulation  
of our categories

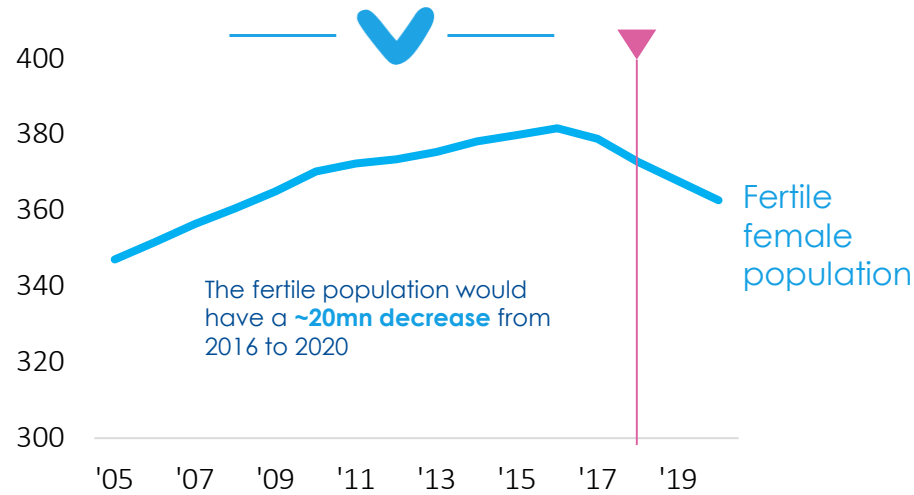
**continued  
category  
growth**

# Demographic and lifestyle trends are impacting growth of IMF category

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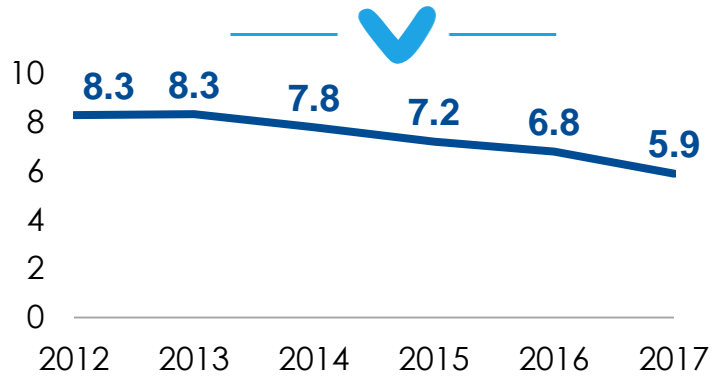
## China Fertile Population (15-49yo)

Mn, 2005-2020E

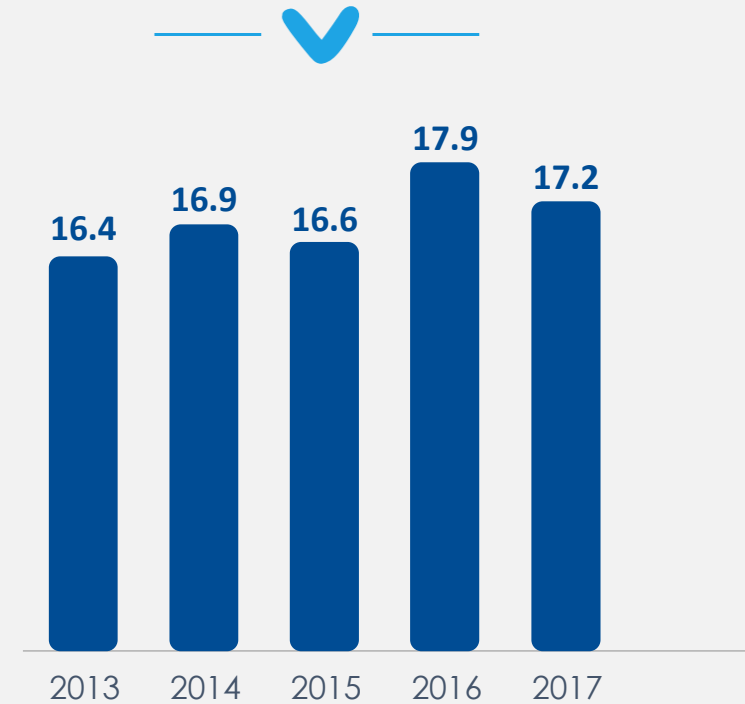


## Birth Willingness of 15-49yo Women (currently no child):

%, 2012-2017



## China New-born Baby Population (MN), 2013-2017



Fertile Population - No. of women in reproductive age (15-49 years old)  
 Birth willingness - % of fertile age woman who gave 1st child birth at given year  
 Source: Government; Internal analysis & research

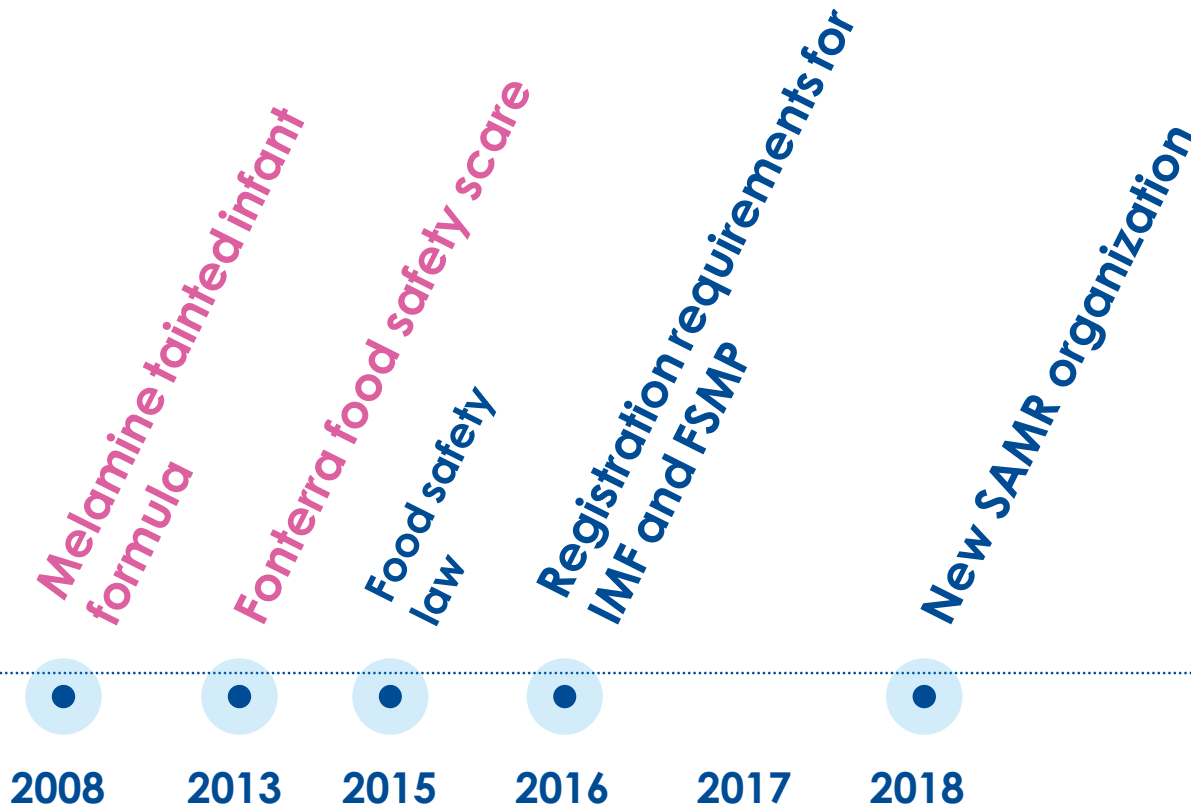


# Accelerated trend of regulation of our categories in China

1 context China, a key growth engine

2 short term Maintaining Leadership in a shifting landscape

3 mid-long term Great potential to capture new opportunities



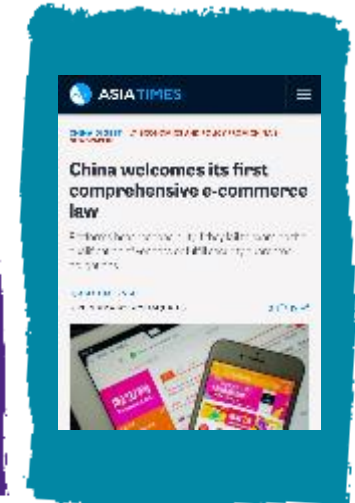
## 2018 Developments



New IMF national standards in draft



New process for drug license renewal



New E-commerce law promulgated

Note: SAMR – State Authority for Market Regulation; FSMP – Food for Special Medical Purposes

1

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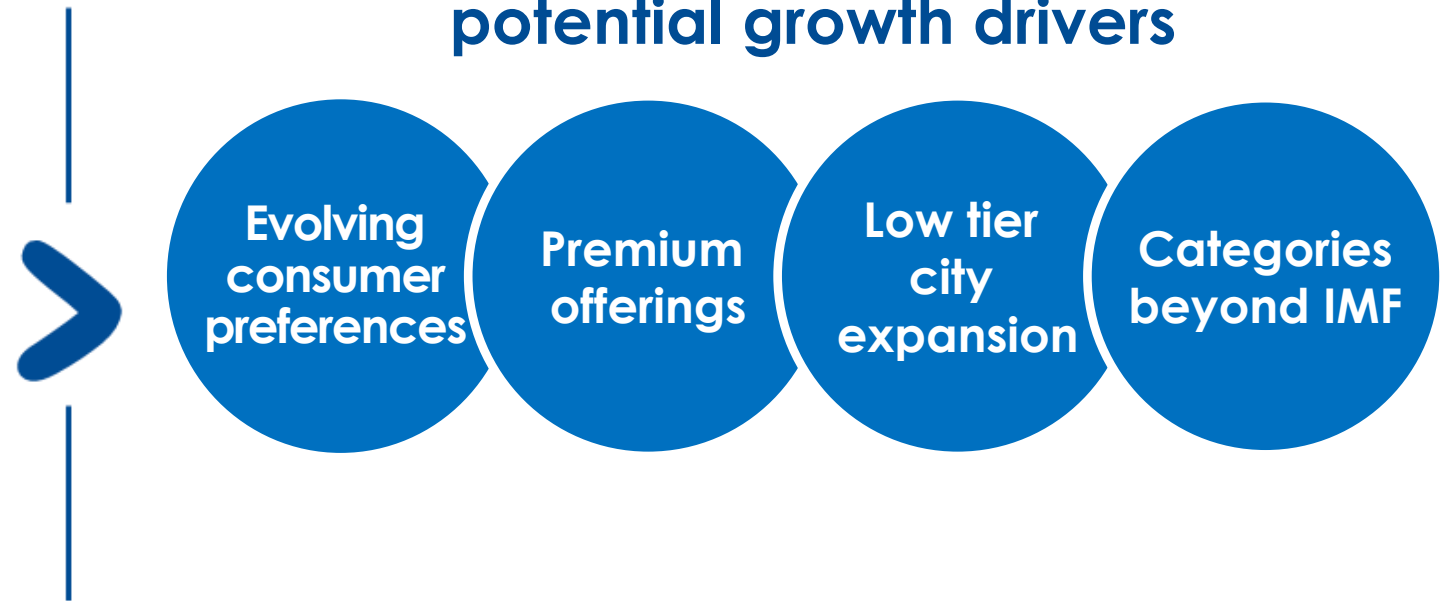
# Moving forward, Danone SN well positioned to capitalize on significant opportunities within a changing China market

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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Our pillars



potential growth drivers



# We are in the Right Categories with potential for growth

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Right  
Categories

## Key Categories

## Expected 3Y category growth dynamic

- Infant Milk  
Formula

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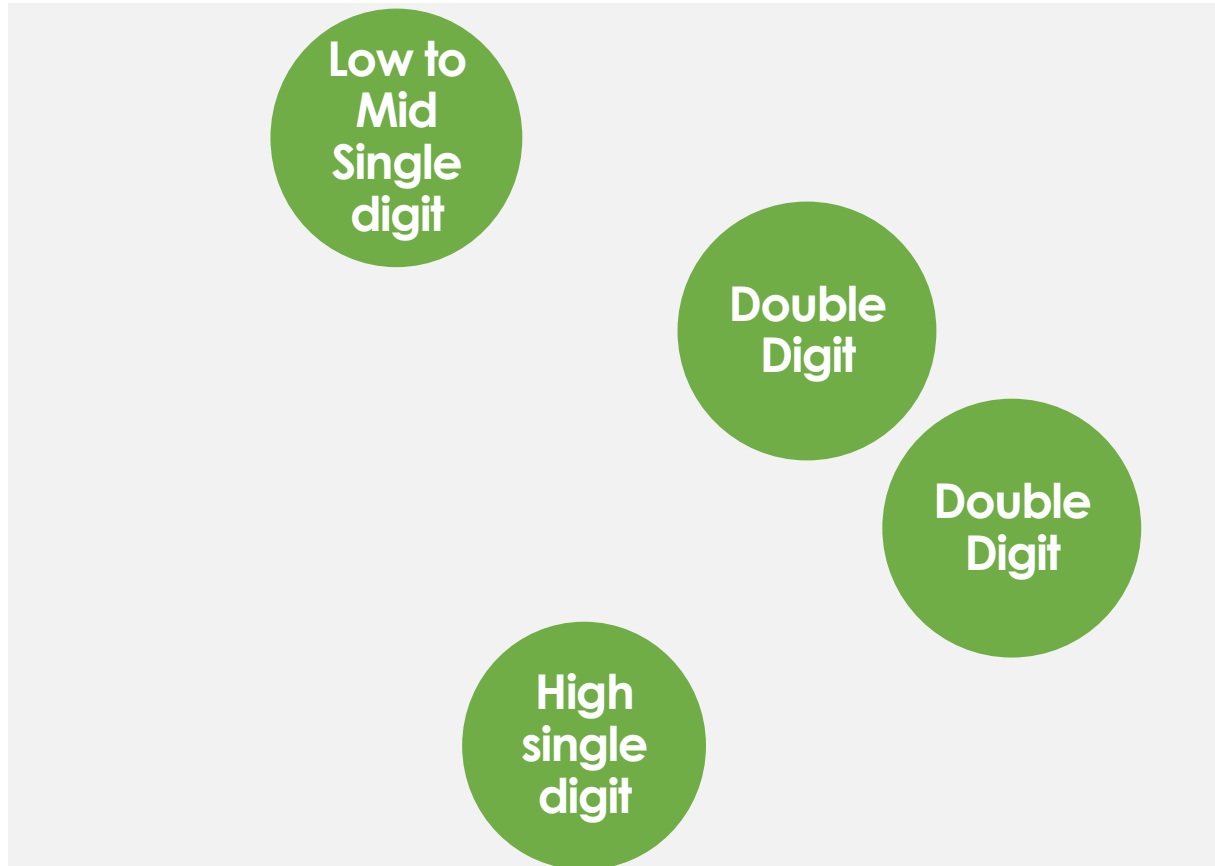
- First Diet

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- Condition  
Related  
Nutrition<sup>1</sup>

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- Enteral  
Nutrition



Source: Internal analysis and estimates  
 Note: 1. Pediatric areas (Allergy, GI, Growth)

# We have the Right Brands to drive consumer preference in all of these growth categories

<p>1 context China, a key growth engine</p>	<p>2 short term Maintaining Leadership in a shifting landscape</p>	<p>3 mid-long term Great potential to capture new opportunities</p>
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**Right Brands & Strategies**



Scientifically advanced – immune function  
→ ready for challenges”  
Infant Milk Formula  
Condition Related Nutrition



Hong Kong Premiumness,  
better absorption  
Infant Milk Formula  
Baby Food



Dutch Heritage, Rooted in Nature  
for strong growth  
Infant Milk Formula



Leading edge organic  
Baby Food  
Infant Milk Formula

**Neocate**

Condition Related Nutrition  
#1 allergy globally

**Fortimel**

Condition Related Nutrition  
Strength, Muscle

**Infatrini**

Condition Related Nutrition  
Faltering growth

**Souvenaid**

Condition Related Nutrition  
Cognition

**Fortini**

Condition Related Nutrition  
Disease related malnutrition

**Nutrison**

Enteral Feeding

**NUTRICIA**

Our Medical Masterbrand

# We have the Right Strategies to meet the evolving needs and preferences of Millennial Chinese parents



1 context China, a key growth engine

2 short term Maintaining Leadership in a shifting landscape

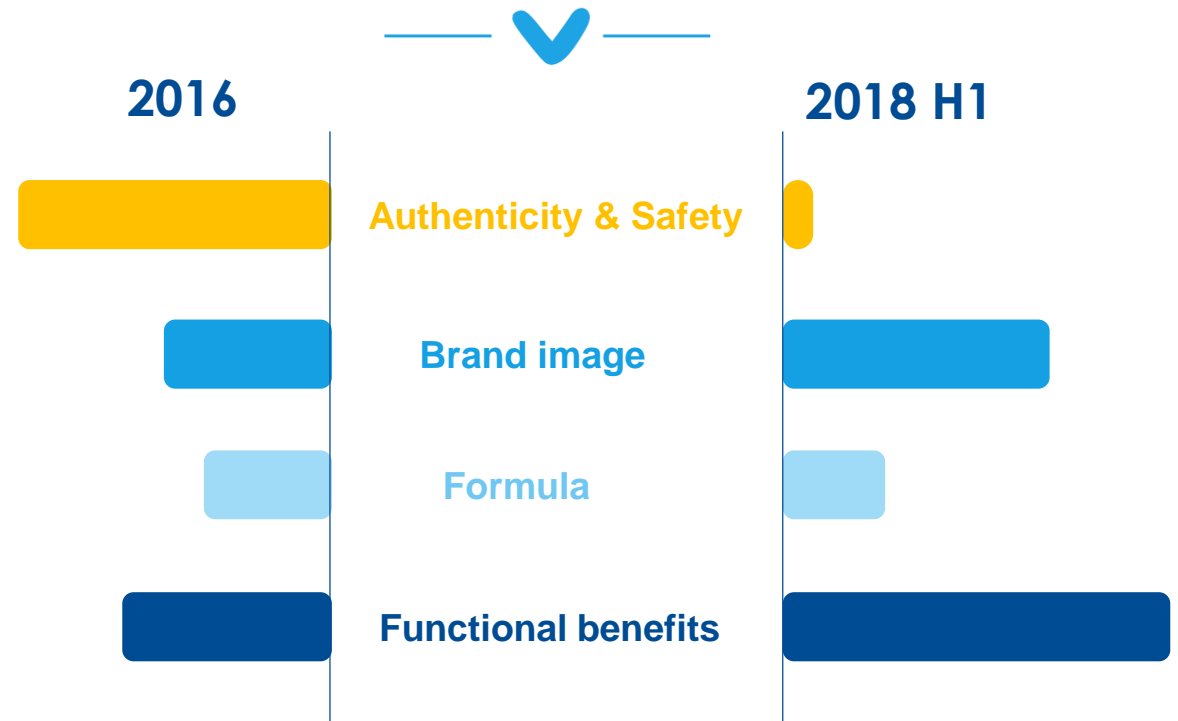
3 mid-long term Great potential to capture new opportunities

Right Brands & Strategies



-  More independent thinker (product truths over brand status)
-  Seek more sources before making decisions
-  No longer trust institution or conventional knowledge easily
-  Define own values and success (do not let society define them)

## Shifts in consumer motivations



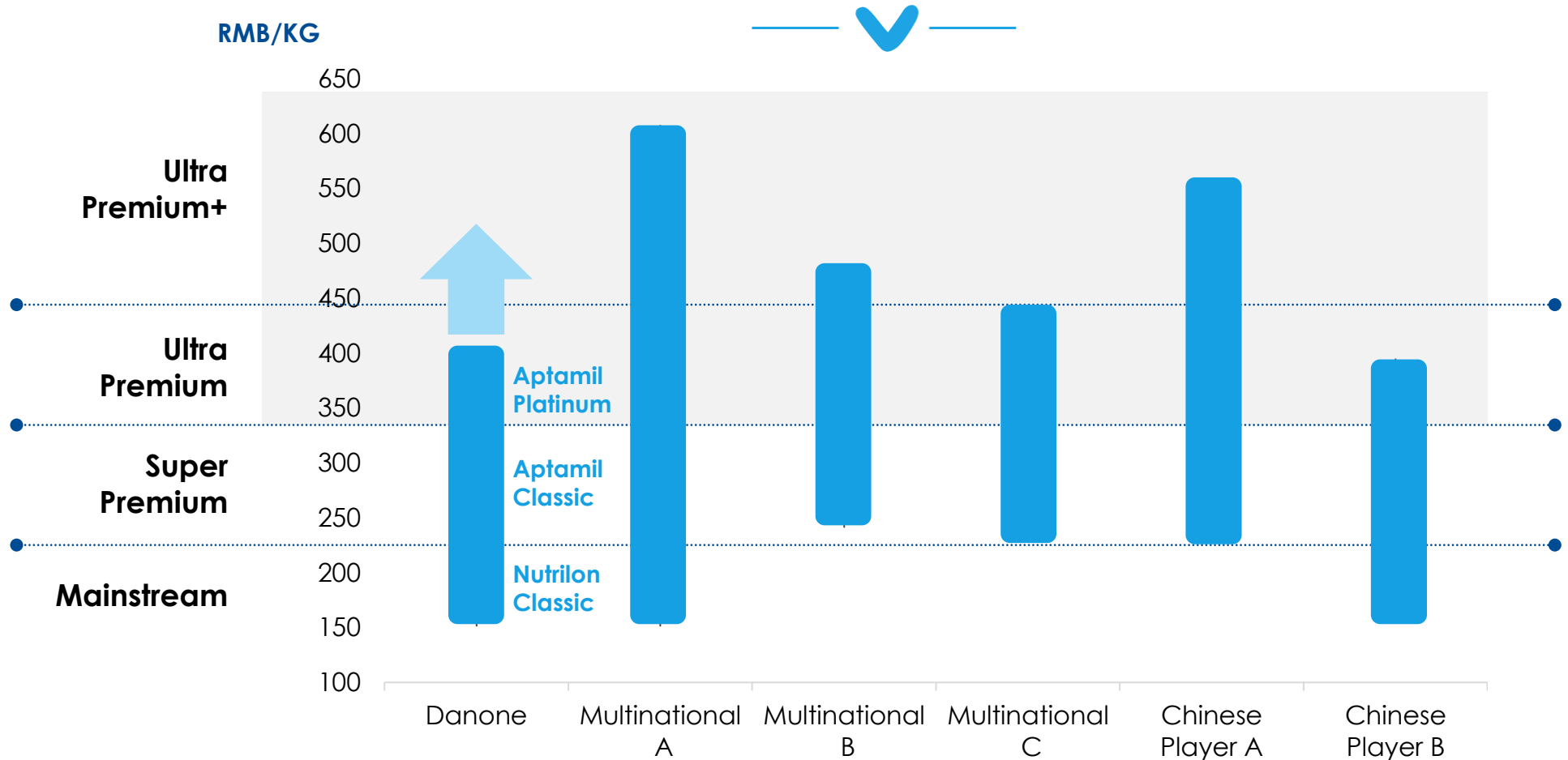
Source: Market research

# Our Brands & Strategies are well suited to address untapped opportunity in ultra-premium IMF segments

- 1 context  
China, a key growth engine
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Right Brands & Strategies

Key Player IF Portfolio price ranges  
(Combined Channel)



Net sales > x2 YTD

Source: Nielsen; Smartpath IMF category, IF stage



We are prepared to leverage an innovative, benefit-focused, global portfolio to extend our presence in ultra premium.

1 context China, a key growth engine

2 short term Maintaining Leadership in a shifting landscape

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Right Brands & Strategies



Science-based Benefits



Ingredient-based Benefits

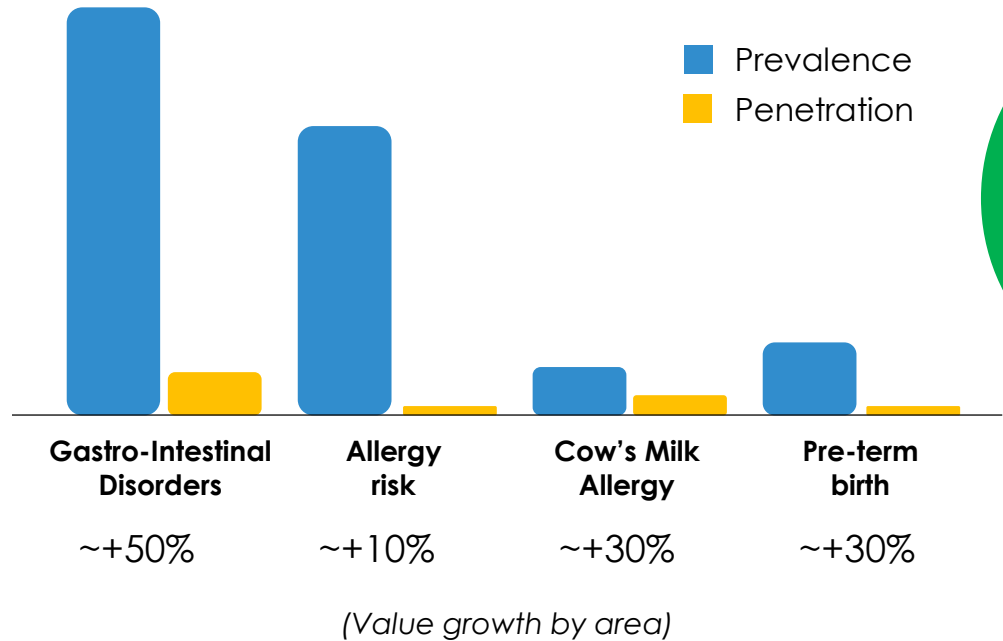


# Our Brands & Strategies are well suited to address untapped opportunity in condition related or “tailored nutrition”

1 context China, a key growth engine	2 short term Maintaining Leadership in a shifting landscape	3 mid-long term Great potential to capture new opportunities
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**Right Brands & Strategies**

## Penetration vs Prevalence



## Opportunity to leverage our scientific capabilities

**EUR 1.3 billion**  
Tailored Nutrition  
**+30% growth**

- Leadership in Cow's Milk Allergy management
- Strong HCP & KOL credibility
- Research capabilities to localize science

Source: Internal estimates & research; Nielsen & Smartpath tailored nutrition market MAT2018

# Again, we will adapt and leverage our global portfolio tailored to specific conditions & medical needs

1 context  
China, a key growth engine

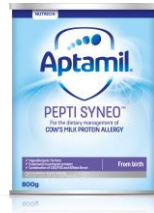
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Right Brands & Strategies



**APTAMIL PROSYNEO**  
Hypo-Allergenic, Partially Hydrolyzed Formula for infants at-risk of cow's milk allergy



**APTAMIL PEPTI SYNEO**  
Whey-based, Extensively Hydrolyzed Formula for infants diagnosed with Cow's Milk Allergy (CMA).



**NEOCATE SYNEO**  
Amino Acid-Based Formula for infants diagnosed with severe Cow's Milk Allergy (CMA) and/or Multiple Food Allergy (MFA).

## A complete portfolio in Allergy prevention and management



Gastro-intestinal disorders



Challenged growth due to pre-term birth



Faltering growth due to disease and/or disability



# We'll leverage the right brands, strategies and medical expertise to continue capturing potential beyond IMF

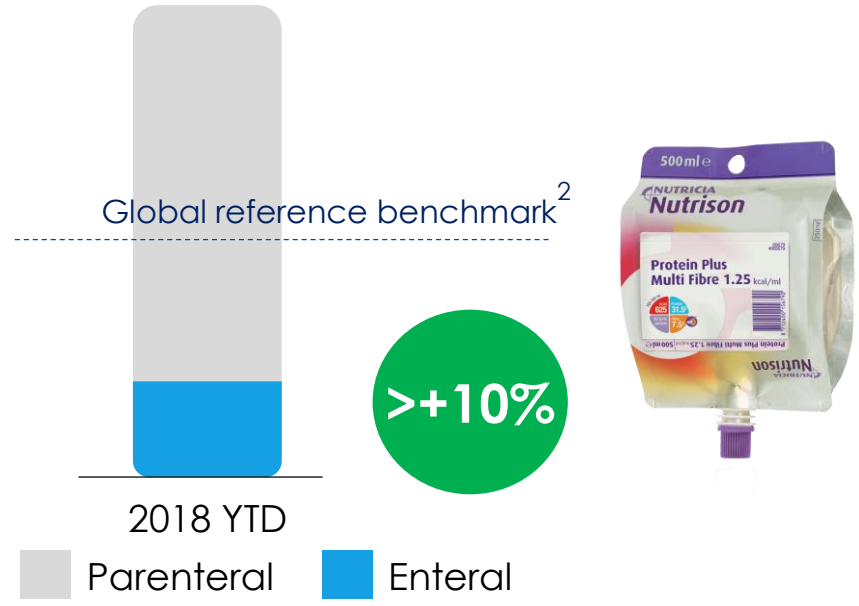
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Right Brands & Strategies

## Enteral & Parenteral Nutrition market evolution



*Nutrison powder improves Oesophageal cancer patients overall survival rate<sup>1</sup>*

## AFSMP New Regulatory Framework

New regulatory framework, opening a new self-pay Medical Food Category in 2018, linked to a growing elderly population

— Opportunity to make medical nutrition accessible in community

— Supporting chronic disease management eg. cancer care, geriatrics



#1  
Hospital  
Nutrition  
brand

Source: 1. Research trials; 2. Long term reference based on fully developed markets  
Note: FSMP, Food for Special Medical Purposes

# We've developed the Right Consumer & Medical Marketing and RTM capabilities to win in China

1  
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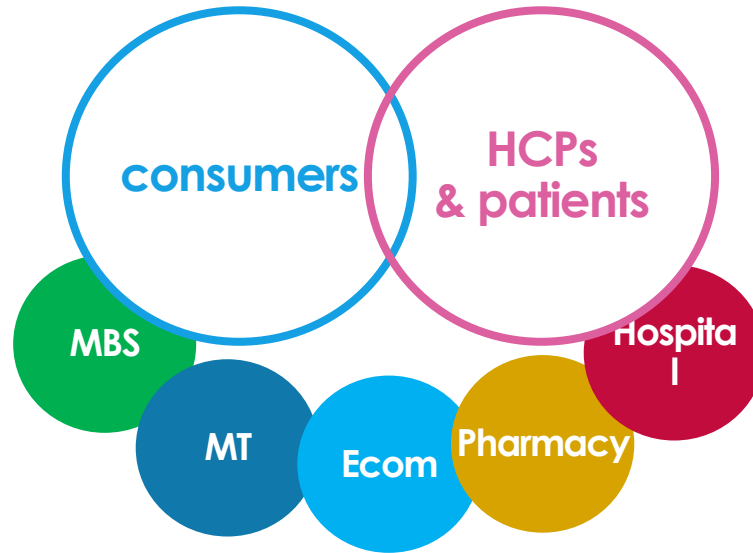
3  
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Right  
Capabilities

## Data driven marketing



## Medical & Consumer route to market



## Partnerships with leading retail and ecommerce players



**Walmart Group**  
Best Supplier Marketing Partner



**Ali Group**  
Supplier of the Year  
—  
Golden Award of Data Collab.  
—  
Best Integrated MKT



**JD**  
The Only GSKA in IMF



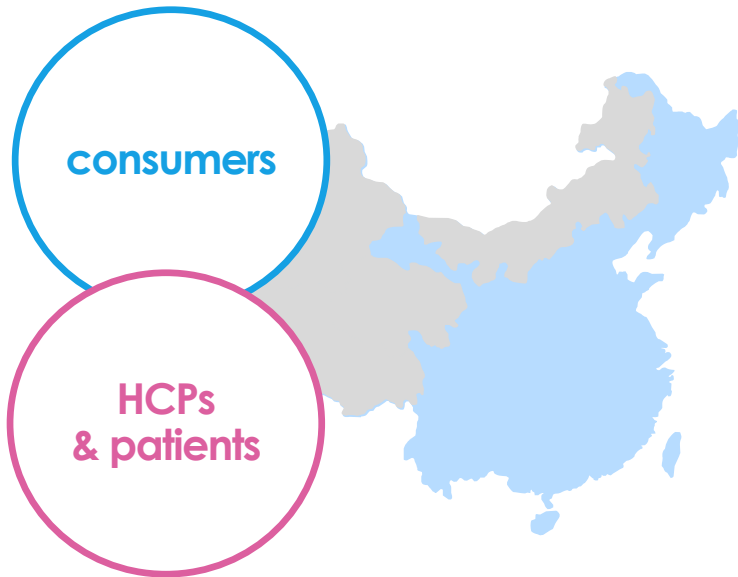
**Kidswant**  
1<sup>st</sup> Brand of IMF

# We're leveraging these skills to capitalize to expand our market reach and capture opportunities in lower tier cities

- 1 context China, a key growth engine
- 2 short term Maintaining Leadership in a shifting landscape
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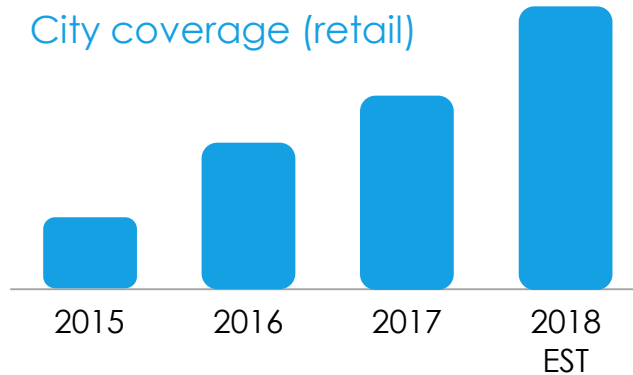
**Right Capabilities**

## Dual strategy approach

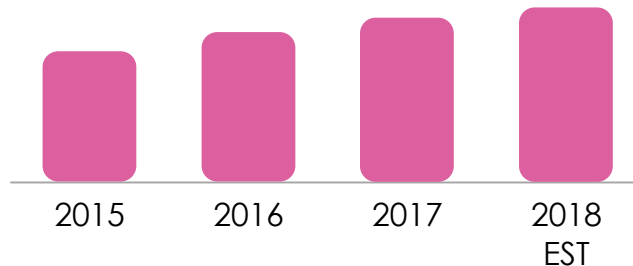


## Expanding our market reach

City coverage (retail)



Hospital coverage



## Deploying our assets



**e-RTM model**

e-RTM package for Independent Mom & Baby Stores

**Therapeutic Area Strategy**

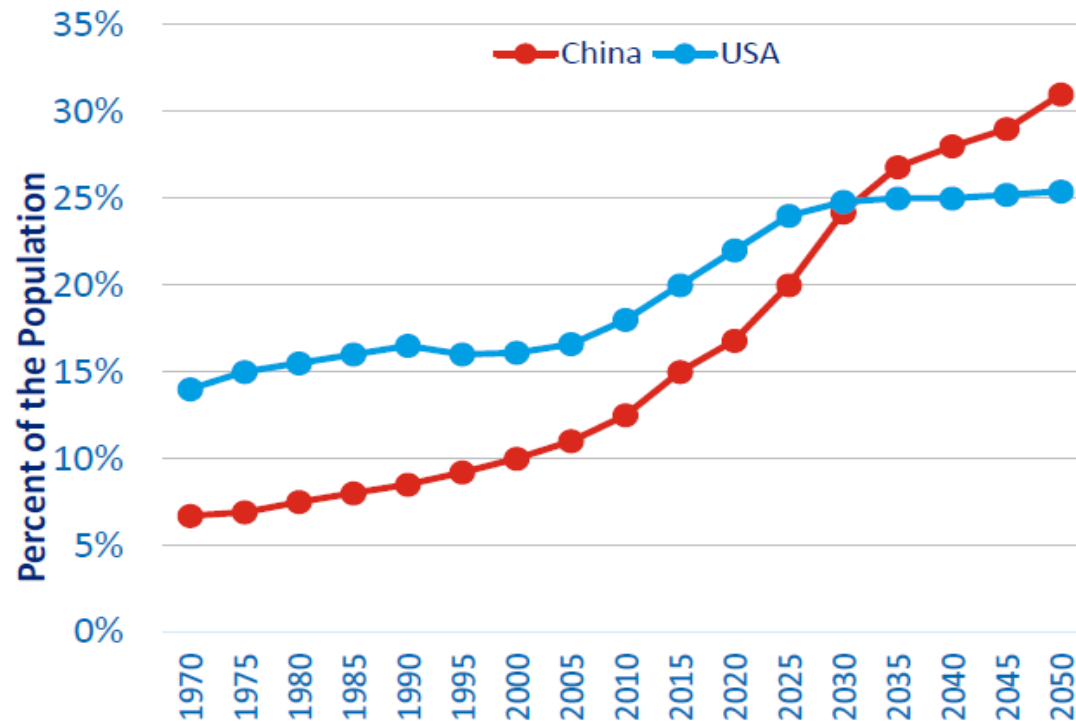
- Patient journey management
- Digital Education Platforms
- Medical qualifications & pharma background

Strong clinical evidence and efficacy of medical nutrition treatment

Source: Internal

# We've begun to explore opportunities to capitalize on our science and portfolio to support the needs of a large, growing silver demographic

## Percent of population in 50+ age range



## Increasing relevance

The collage features several elements related to health and aging:

- HIGH 50 HEALTH** magazine cover with the tagline "AGE HAS ITS BENEFITS".
- An article titled "TAKING CARE OF YOUR MENTAL HEALTH" with a background image of a person sitting on a balcony overlooking a lake.
- An article titled "GUT HEALTH" with a background image of hands.
- An article titled "HEALTHY START" with a background image of a bowl of fresh vegetables.
- A poster for "The 5th Int'l Healthy and Active Aging Conference" (第五届健康与老龄化国际研讨会) held in Chengdu, China, from June 1-3, 2018.
- A small logo for "althier" with the word "althier" next to it.



# Allowing us to begin building new platforms to fuel future growth



# “Specialized Nutrition, giving people the “extra” support they need at critical moments in every stage of life.”

first 1000 days

childhood

adulthood

aging





# Great Confidence for 2020 and Beyond To contribute to Danone's objectives



## our pillars

## our strategic priorities

## our 2020 objectives



>5%  
sales growth <sup>(1)</sup>

A red circular icon containing a white keyhole shape.

Company objectives

4 to 5% sales growth <sup>(1)</sup>      >16% operating margin <sup>(2)</sup>

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

# Disclaimer

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