



**DANONE**  
**2017 - 2020**

Strengthening  
the economic model

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Evian 2017 - Investor Seminar

## DISCLAIMER

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*This document is presented by Danone. It 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.*

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*All references in this presentation to like-for-like changes, “like-for-like New Danone” changes, recurring operating income, recurring operating margin, non-recurring results from associates, recurring net income and recurring EPS correspond to financial indicators not defined in IFRS used by Danone, which are defined at the end of this presentation.*

*Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.*

# Danone's commitment since 2014



**STRONG  
PROFITABLE  
SUSTAINABLE**

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**GROWTH**



**SUSTAINABLE  
EPS**

**GROWTH**



# Danone's path towards its ambition

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2015

2016



2014-2016

Danone's on-going  
transformation  
towards a more  
resilient  
model of growth

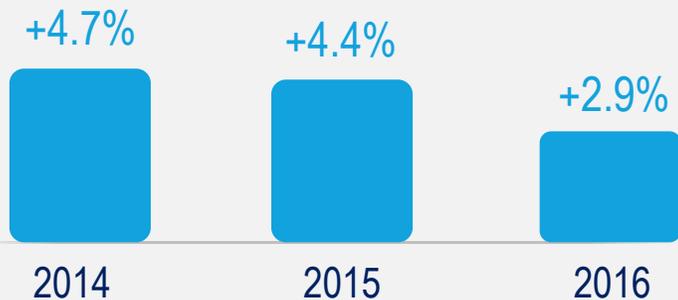


# Danone delivered its first step of profitable and sustainable growth

## Like-for-like sales growth

2014-2016 CAGR

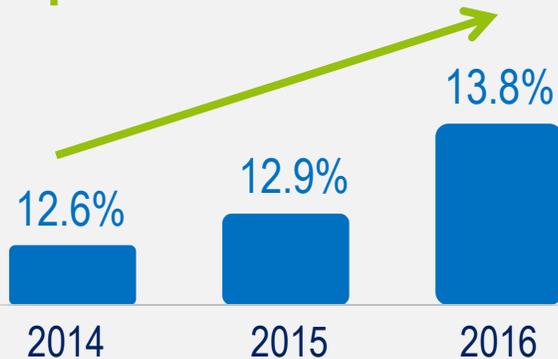
**+4.0%**



## Sustained improvement in recurring operating margin

2014-2016

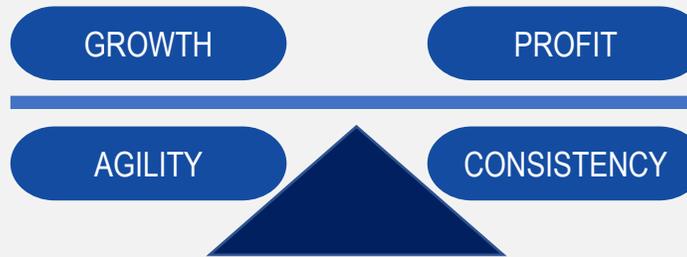
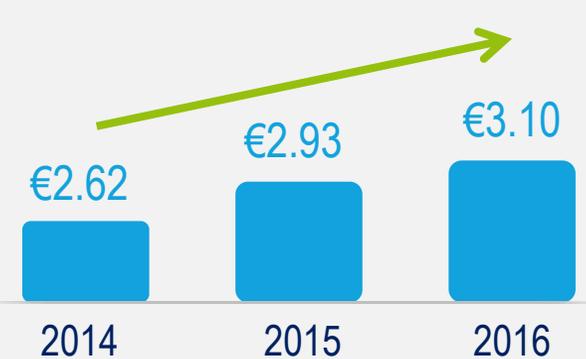
**+120bps cumulative**



## Consistent recurring EPS growth

2014-2016 CAGR

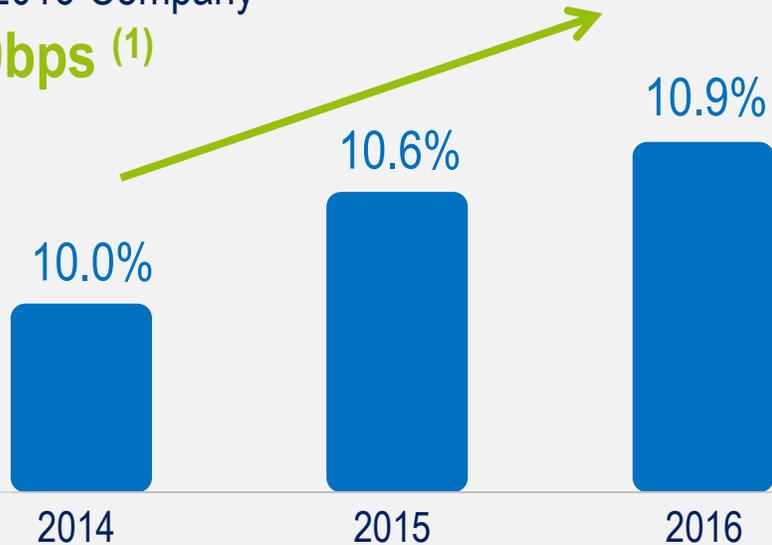
**+8.8%**



# Danone improved returns

## Consistent ROIC improvement

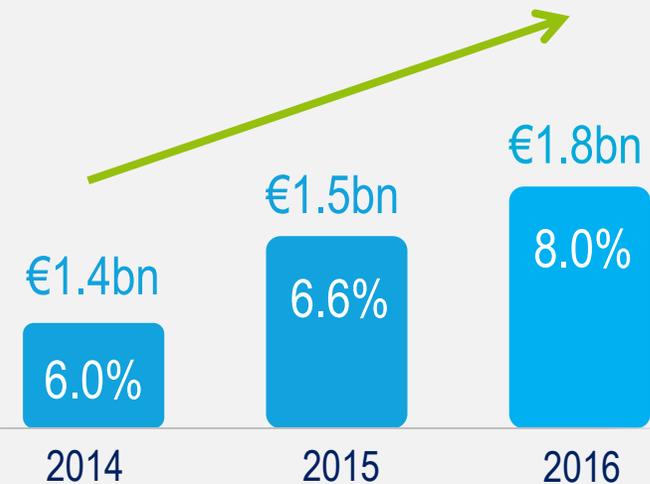
2014-2016 Company  
**+110bps** <sup>(1)</sup>



<sup>(1)</sup> excluding FX impact

## Strong cash delivery

*FCF excluding exceptional items  
and % of net sales*



# Through more discipline

## Robust organization



- > 30 clusters worldwide
- > Finance, HR, IT-IS, GS
- > Fully in place Q1 2017

EFFICIENCY

PROXIMITY

## Optimized resource allocation processes



BEYOND BUDGET

- > Strategic Mandate (3 years)
- > Rolling Forecast (4 quarters rolling)
- > Resource allocation conversation (every quarter)

AGILITY

DISCIPLINE



2017-2020

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Danone geared  
to face current  
industry  
transformation  
and changing world

# Accelerated transformation in Danone's environment

## VUCA world

*BREXIT*



*Deflation*



*Commodities cycles*



## Industry accelerated transformation

*Consumer Trends*



*Channels*



*Local*

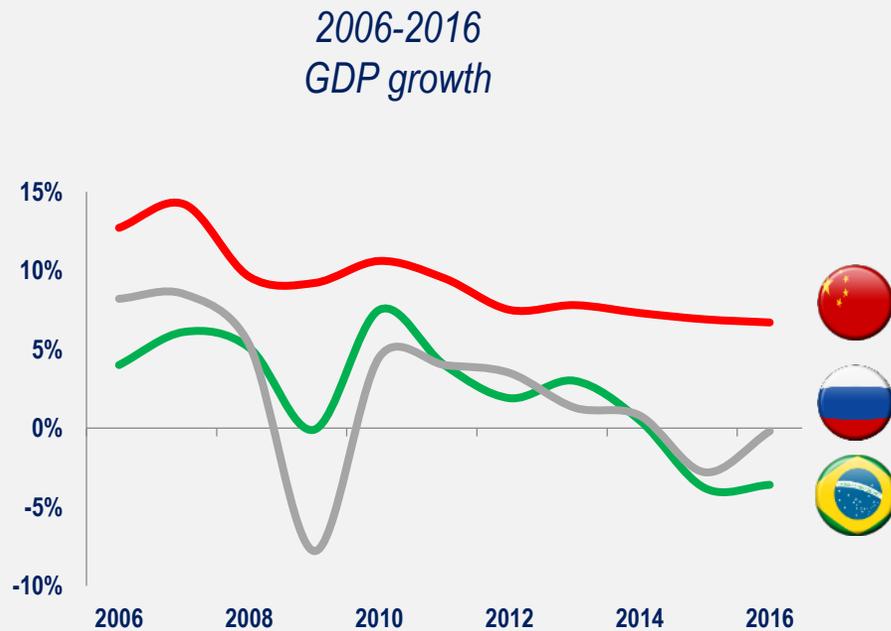


*Small is Big*

**Small, local  
are the new big**

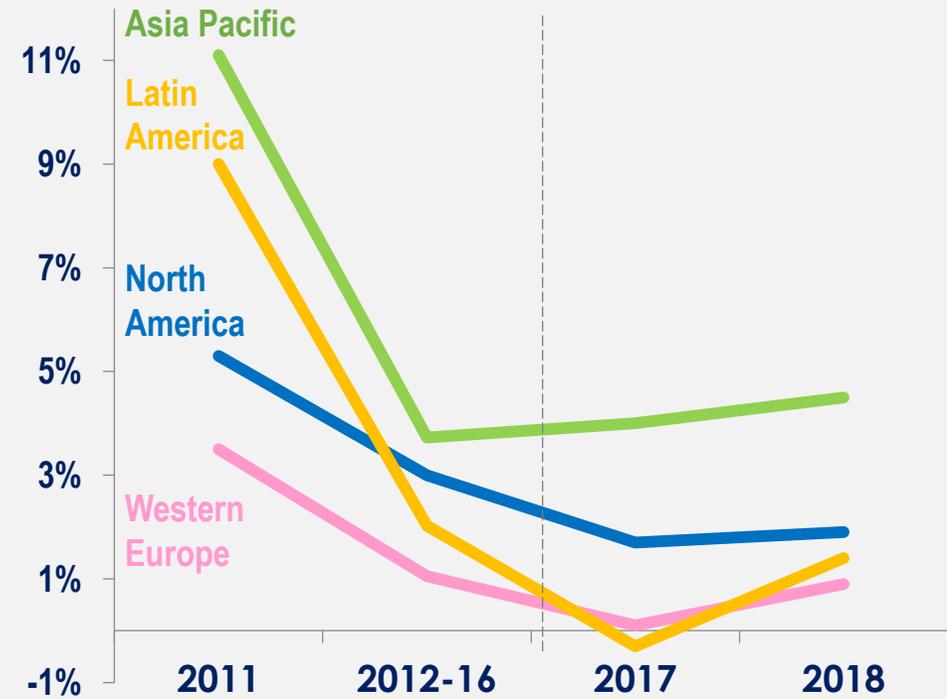
# Leading to a short term growth transition in Danone's industry

## Transition in emerging markets



Source: IMF

## Food Industry Outlook



Source: EUROMONITOR



# Danone short term growth deceleration

## Transitioning emerging markets

40% of revenues  
in ALMA (1)



(1) Asia, Latin America, Middle East, Africa

## 2008-2016 performance in China and Brazil

Like-for-like sales growth



**+ 2.9%**  
LFL Sales  
growth in 2016

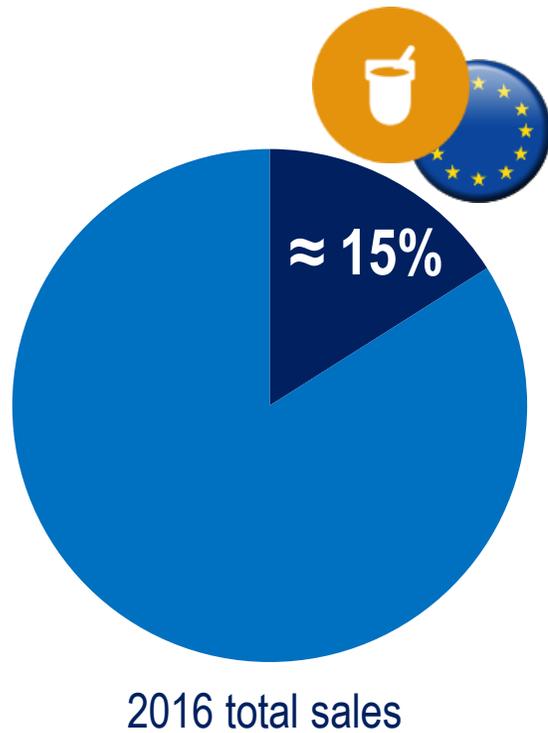
**+ 3.4%**  
w/o China  
and Brazil



DANONE

# Danone short term growth deceleration

Turnaround of Dairy Europe is taking more time



## Achievements

- > Actimel stabilization (excl. Spain)
- > Acceleration of young brands and heritage local brands
- > Gross margin improvement : + 225 bps  
(since 2014 excl. milk price impact)

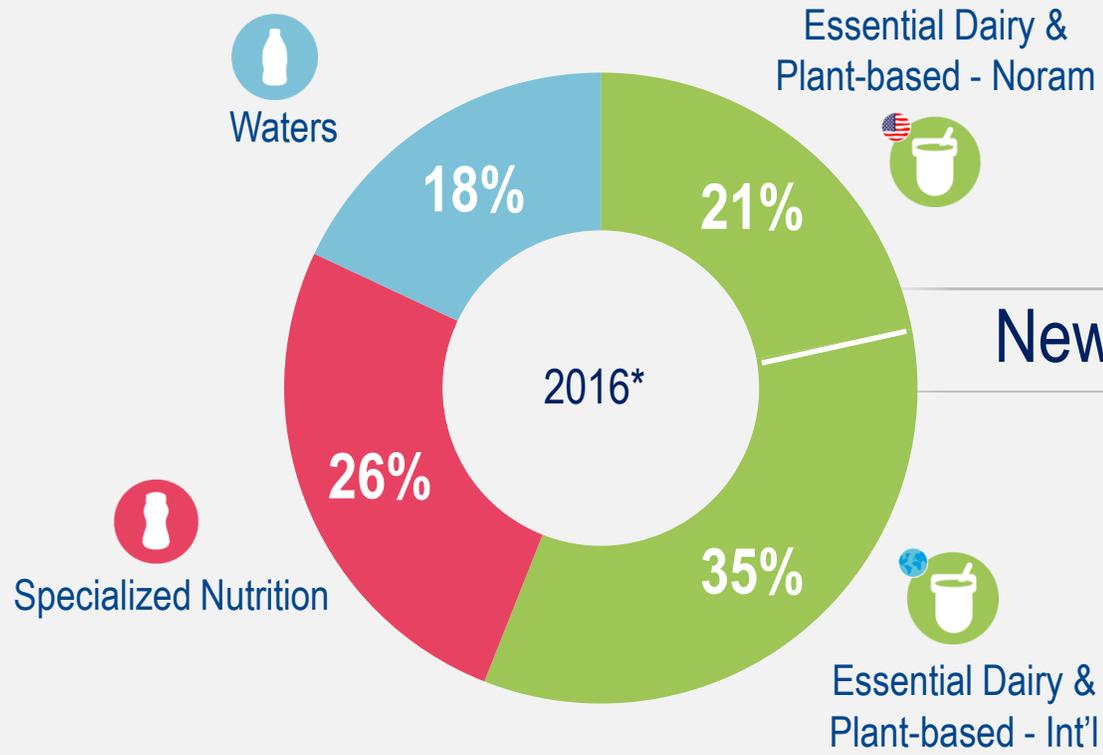
## Still to be fixed

- > Spain
- > Activia

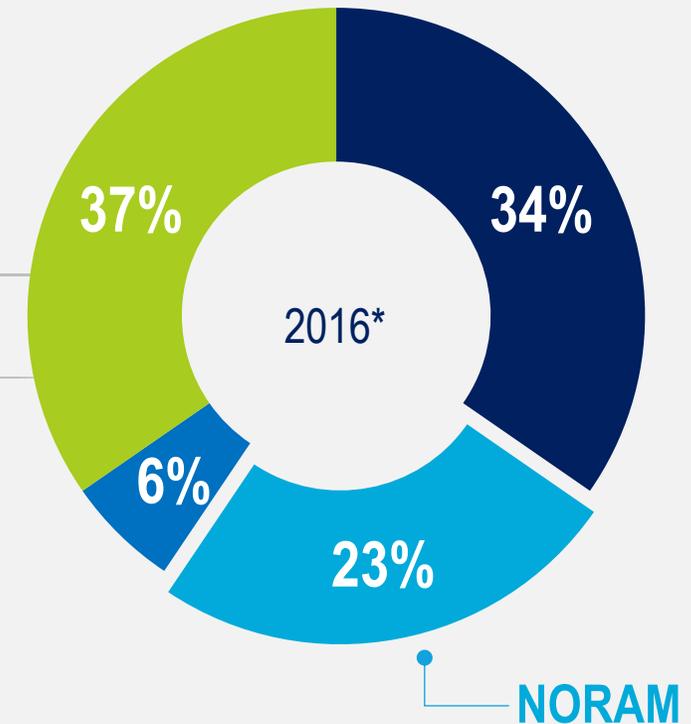


# Danone is geared to reaccelerate

An unparalleled portfolio of 100% healthy diet categories



A major platform in the US reinforcing Danone's growth resilience

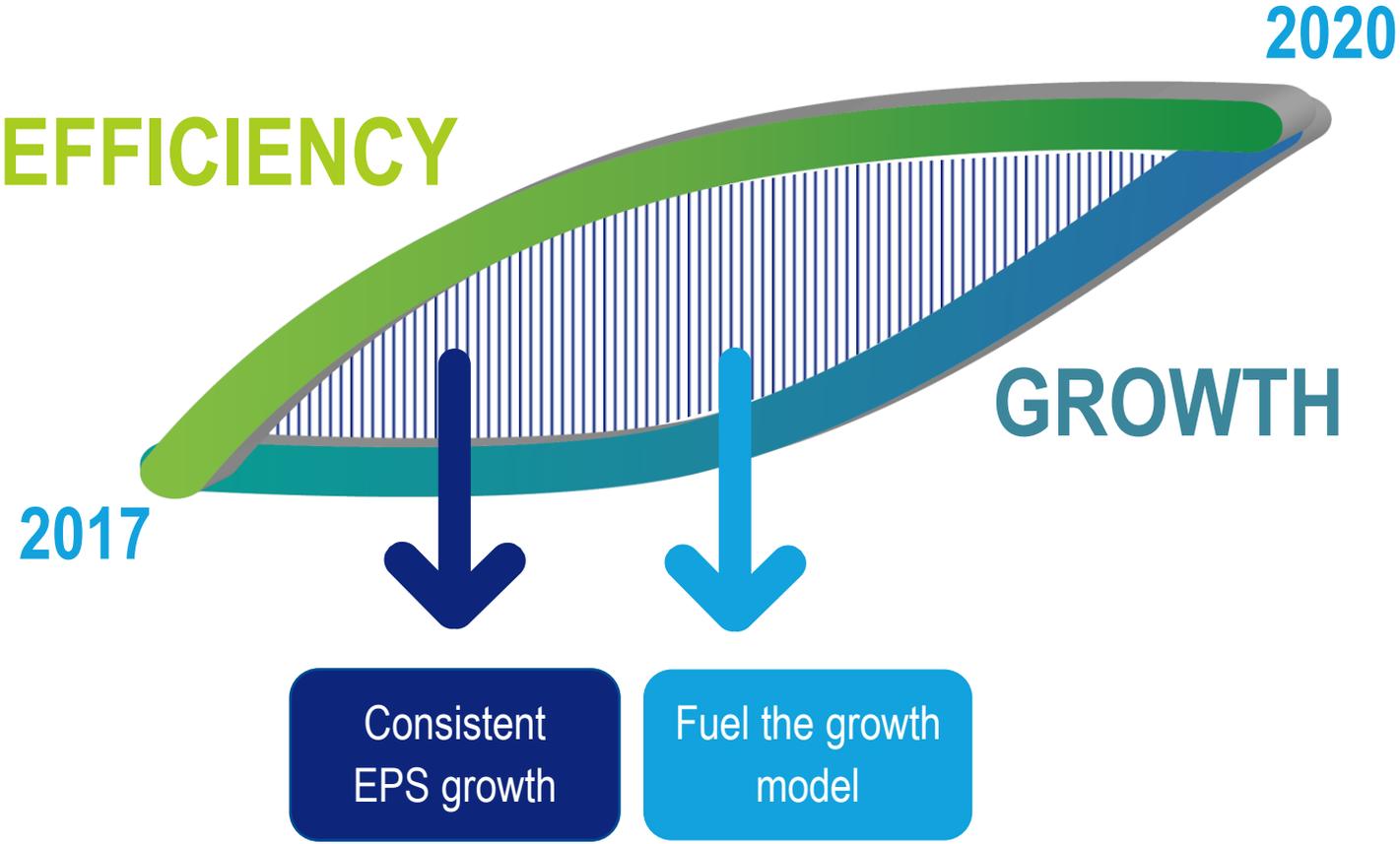


New Danone

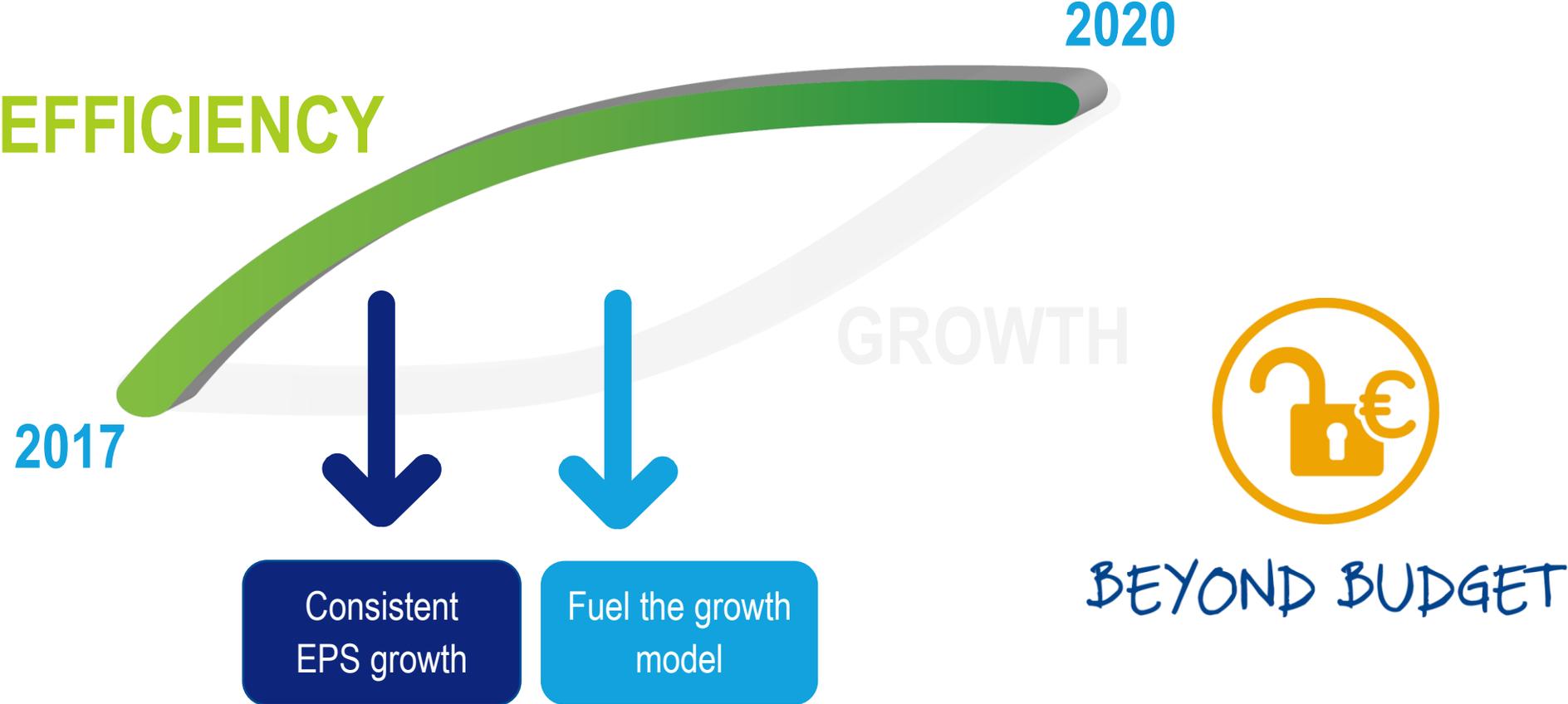
\* Excluding Stonyfield



# 2017-2020: Danone is recrafting its preparation agenda



# 2017-2020: Shaping the growth model to make it more resilient and preparing for strong profitable sustainable growth



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# 2017-2020: Shaping the growth model to make it more resilient and preparing for strong profitable sustainable growth



# Continuing to enhance operational productivity in the gross margin

## Sourcing Procurement

- > Global Dairy sourcing centralization
- > Milk technology
- > Reformulation

## Manufacturing and Operations

- > Management of finished products & raw material losses
- > Increased efficiency in factories

## Supply Chain

- > Optimization of route-to-market
- > Logistic tenders



## 2016 Productivity metrics

≈ **€600M**

total savings (before inflation)

**+ 4.8%**

productivity savings on total COGS<sup>(1)</sup>

## Allocation:

- Mitigate inflation
- Improve gross margin: **+50bps<sup>(2)</sup>**

(2016 vs. 2015)

(1) COGS: Cost of goods (2) Like-for-Like

# Continuing to reduce fixed cost base & constantly adapting organization



More robust and effective organization

2014-16: €100M of restructuring costs  
(non-recurring)

2017 - 2020  
> €50 million  
yearly savings

Continuous adaptation of local organizations

-  Organization simplification  
Resizing of operations
-  Mizone Salesforce,  
Overheads, Distributors
-  New regional organization
-  Salesforce and Logistics reorganization
-  Salesforce optimization

2017 - 2020  
> €70 million  
yearly savings

*Examples of initiatives since 2014*

2014-16: ~ €140M of restructuring costs  
(o/w €100M in recurring operating margin)



# Capturing €1bn extra structural savings in 2020

Disciplined  
Choices

Maximize Efficiency...

Sustainably

**BUY BETTER**  
**SPEND BETTER**  
**WORK BETTER**

...To build muscle  
Reinvest in growth projects

Invest  
for Impact

## PROGRAM PROTEIN

SCOPE

Professional services  
Sales & Marketing spending  
Operations spending

**€ 1 bn**  
**SAVINGS**

Fuel for growth

Margin



# Extra €1bn : Strengthening the economic model

1  
€bn

700  
M€

- Investment in growth and efficiency
- Secure sustainable profitable growth

300  
M€

- In recurring operating margin
- >100M€ per year (starting 2018)*

Consistent  
EPS  
growth

Prepare for  
**Strong Profitable  
Sustainable  
Growth**

# 2017-2020: Shaping the growth model to make it more resilient and preparing for strong profitable sustainable growth



# Accelerating initiatives and improving execution by leveraging Danone's regional and transversal organization



# Leveraging Beyond Budget process to maximize investment efficiency and quality of execution

**BEYOND BUDGET**



BEYOND BUDGET

From short term performance  
To sustainable value creation



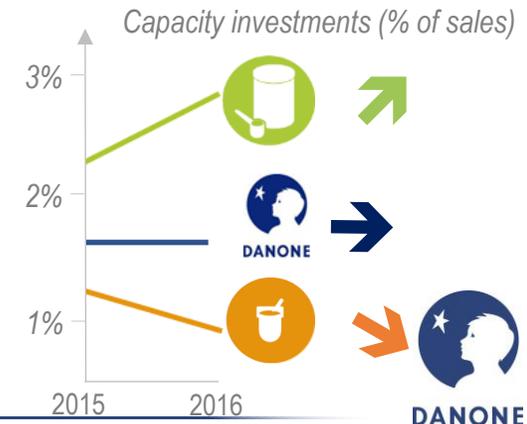
Build and activate our brands



Optimize pricing and promotion strategy



Prioritization of investment



# Optimizing the business models for capital discipline

## REDUCE CAPITAL INTENSITY

Implement low capital-intensive licensing models



Columbia  
2016



Chile  
2017

## ADAPT

Adapt strategy and leverage partnerships



China  
2015



## EXIT

Dispose of assets



Indonesia  
2014



# 2017-2020: Shaping the growth model to make it more resilient and preparing for strong profitable sustainable growth



# Delivering \$300M run-rate synergies of WhiteWave acquisition...



## Strong value creation (annual run-rate impact by 2020)

### Synergies

➤ \$ 300m in EBIT

### Like-for-like sales growth

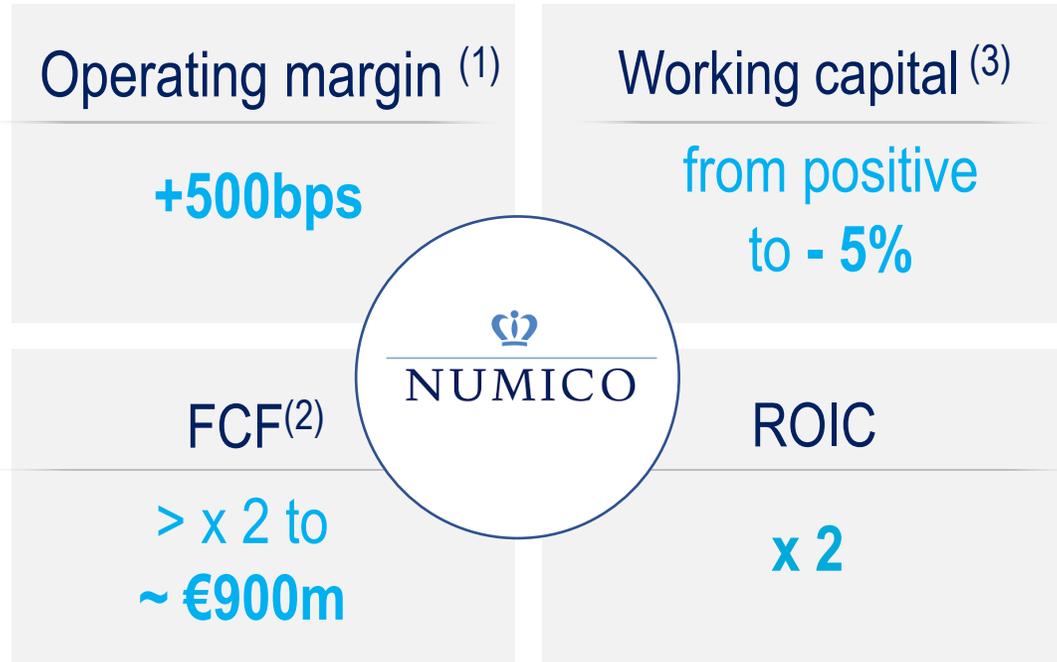
➤ Extra +0.5% to +1%

### Recurring EPS

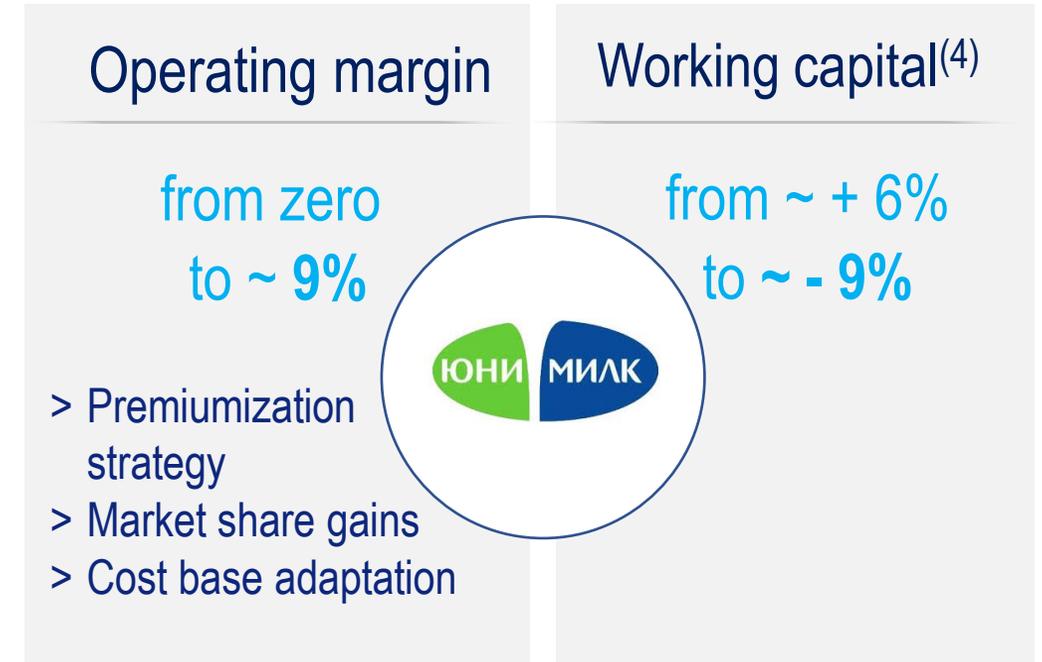
➤ >10% accretion based on run-rate synergies

# ...Supported by strong integration track record

## 2007-2016



## 2010-2016



- (1) Recurring Operating Margin of Numico standalone in 2007 and combined Recurring Operating Margin of ELN and Medical in 2016  
 (2) Free Cash Flow excluding exceptional items  
 (3) Difference between WC of Numico standalone in 2007 and WC of ELN and Medical in 2016 (in % of net sales)  
 (4) Difference between WC of Unimilk standalone in 2010 and WC of Dairy CIS in 2016 (in % of net sales)

# 2017-2020: Shaping the growth model to make it more resilient and preparing for strong profitable sustainable growth



# 2017: Year One of decoupling and New Danone

Transition  
in growth

Decoupling  
Start of Protein  
efficiency program

WhiteWave  
integration



Moderate Sales Growth<sup>(1)</sup>

Sustained Recurring  
Operating Margin  
Improvement<sup>(1)</sup>

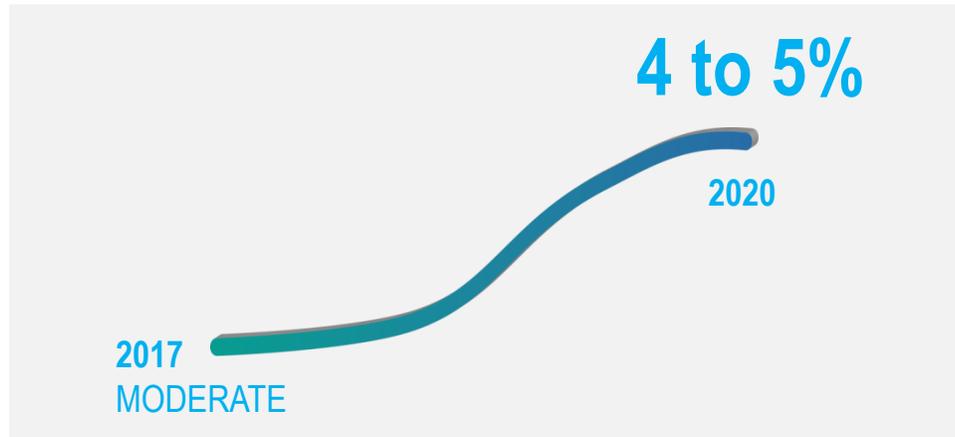
**Double-digit  
Recurring EPS Growth  
at constant exchange rate**

<sup>(1)</sup> Like-for-like new Danone



# 2017-2020: Accelerating growth

## LFL sales growth: sequential acceleration

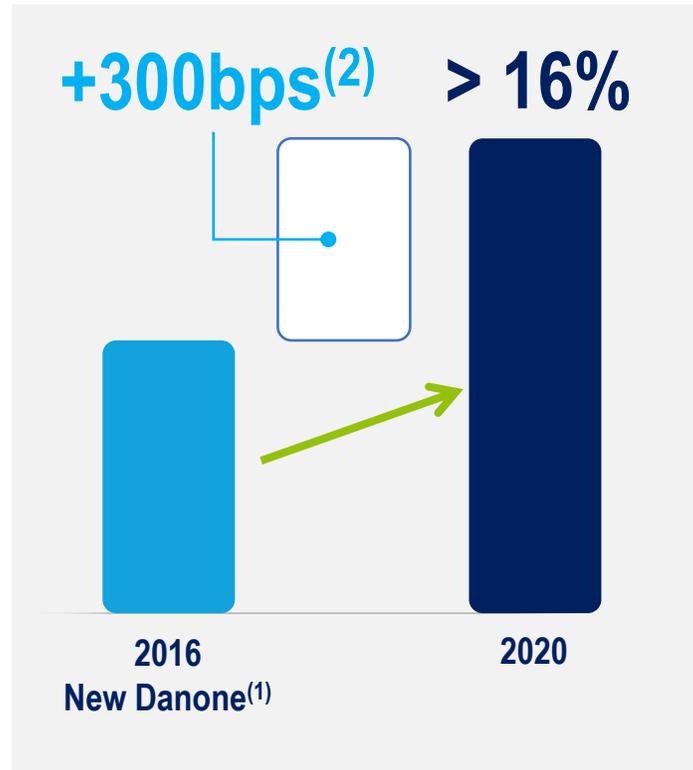
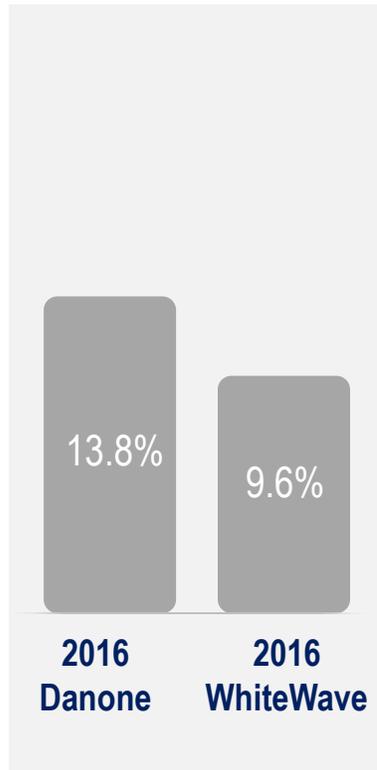


### Accelerated transformation of our environment

- > Leverage unique brands and categories portfolio
- > Strengthen our profitable growth
- > Right rhythm vs. high speed

# 2017-2020: Accelerating recurring operating margin improvement

## Recurring Operating Margin



- > Maximize efficiencies
- > Deliver Protein savings and WhiteWave synergies
- > Discipline in resource allocation
- > Deliver commitment of Dairy +200bps<sup>(3)</sup> improvement over 2014-20 at constant exchange rates

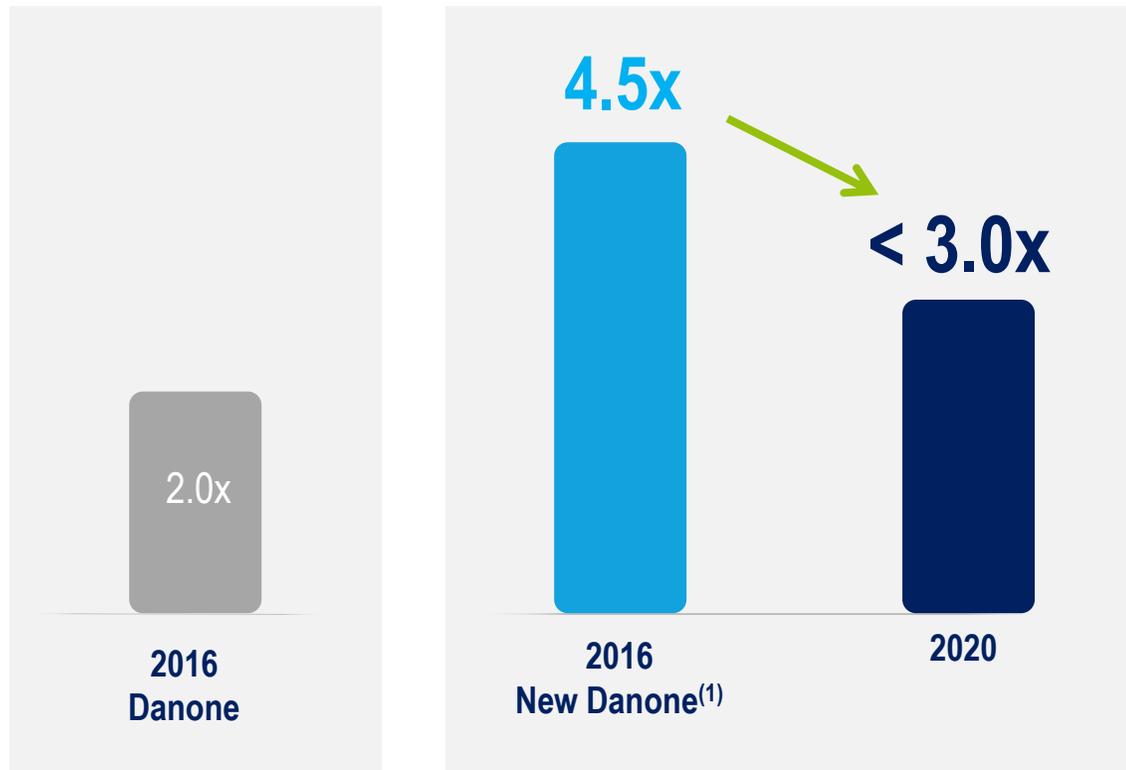
(1) 2016 Recurring operating margin of combined Danone and WhiteWave on a full year basis

(2) Cumulative LFL improvement between 2016 and 2020

(3) Cumulative recurring operating margin improvement of Dairy as per previous reporting perimeter from 2014 to 2020

# 2017-2020: Deleveraging balance sheet

## Leverage ratio (Net debt / EBITDA)



(1) Leverage ratio of combined Danone and WhiteWave as of 31 December 2016, pro forma for WhiteWave acquisition debt

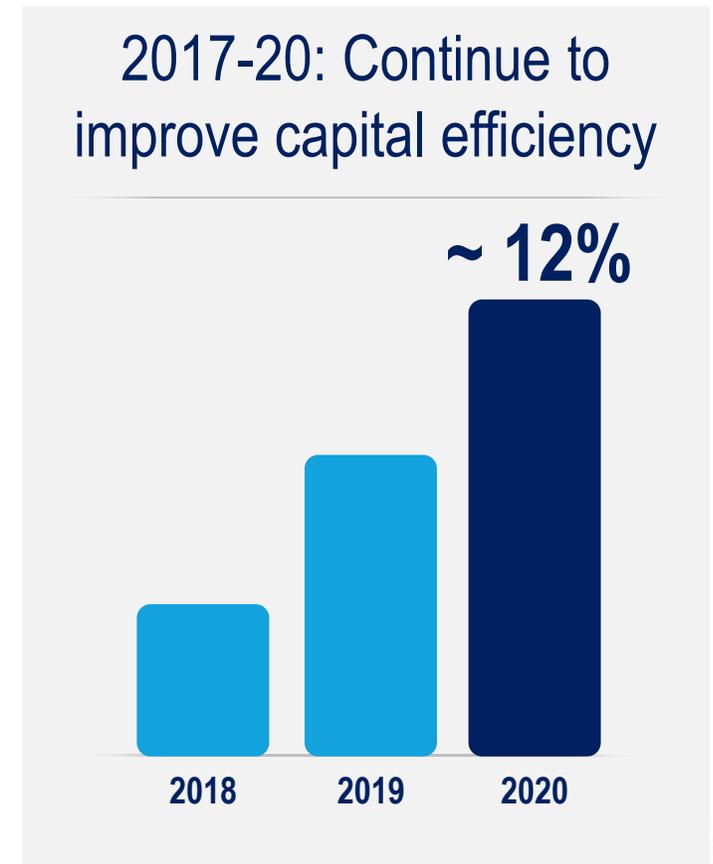
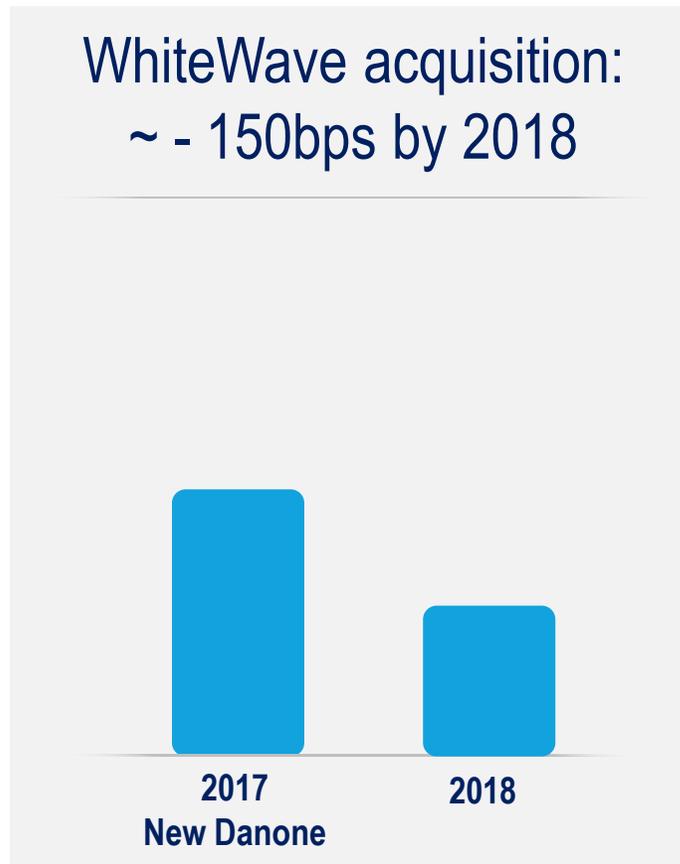
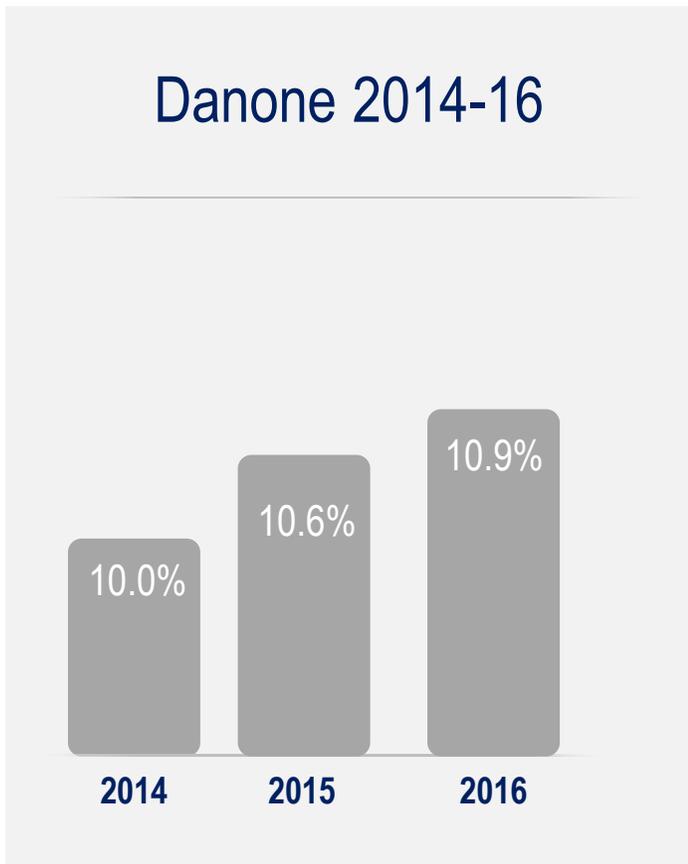
> Higher Free Cash Flow generation

> Discipline in investment

> No change in dividend policy

# 2017-2020: Continuing to improve ROIC

## Return on Invested Capital



## 2020: Sustainable Profitable Growth

LFL sales growth

**4 to 5%**

Recurring operating margin

**> 16%**

**Consistent  
EPS  
Growth**

Net debt / EBITDA

**< 3.0x**

ROIC

**~ 12%**



# 2017-2020: Shaping the model for Strong Profitable Sustainable Growth





**DANONE**  
**2017 - 2020**

Shaping the growth model

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