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EDITED TRANSCRIPT

BN.PA - Q3 2017 Danone SA Corporate Sales Call

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OVERVIEW:

Co. reported 3Q17 reported sales growth of plus 16.6%. Full-year 2017 double-digit recurring EPS growth at constant exchange rate expected to be more than 12%.



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PRESENTATION

Operator

Good day, and welcome to Danone's Third Quarter Sales 2017 Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Nadia Ben Salem-Nicolas. Please go ahead, ma'am.

Nadia Ben Salem-Nicolas

Good morning, everyone. Good morning from Paris. It's Nadia Ben Salem-Nicolas, head of the IR team, speaking. Welcome to Danone third quarter 2017 webcast. I'm here with Cécile Cabanis, CFO; and Célia d'Everlange, part of the IR team. Before we go to the presentation and your questions in your second step, I would like you to go through the disclaimer on Page 2. You're very familiar with it, so I think we can start now. And I hand it over to Cécile.

Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

Thank you, Nadia. Good morning, everyone. Thank you all for joining us this morning. I'm very happy to present to you the Q3 results, and I would invite you to move on Page 3. Before going into the details of the numbers, I would like to start with reiterating our 2020 commitments that you see on Page 3, including our key strategic priorities around accelerating growth, maximizing efficiencies and allocating capital with discipline.

So let me just go quickly through each of them. The first one, the core of our agenda is about accelerating growth. This will be supported by solid execution behind our plans, and this includes continuing to preempt and respond effectively to fast-changing consumer trends; building purpose-driven brands, which resonate with consumers over the long term; and accelerating investments in young and local heritage brands.

The second part of our agenda is efficiency, and it's making sure that we maximize efficiency to boost fuel growth acceleration and enhance margin. There are 2 parts to that agenda, of course, on top of the permanent focus to be efficient and effective. The first part is to realize the synergies from the WhiteWave acquisition, and the second part is to deliver the EUR 1 billion of cost savings through the 0-based Protein program.

Thirdly, we continue to be focused on deploying a disciplined capital allocation to ensure both our deleverage plan and also, with our resource allocation process, to ensure that we fuel appropriately and at the right pace our short-, mid- and long-term horizons because this will be what will create sustainable value and performance.

So let me move to Page 4, to Q3, and start showing how Q3 delivery illustrates the solid progress against these strategic priorities.



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First, on growth. With 4.7% like-for-like sales growth, Q3 is showing, as expected, a strong sales acceleration from a low start to the year in H1 and overall good progress in our strategic priorities. A few things to highlight before going into details. The company posted a significant growth performance in Specialized Nutrition, including an exceptional growth in China; a strong acceleration in Waters, with a return to growth in China; as well as progress in addressing our headwinds in Essential Dairy & Plant-Based.

On the efficiency side, second part. The integration of WhiteWave is progressing well, and we are today expecting for the full year to deliver cost synergies faster than we originally planned. Protein program is fully on track, having now finalized the country pilots.

And moving on to the third point. Lastly, we continue to be disciplined and agile in our resource allocation every quarter to make sure that we support our growth and efficiency agenda in a proper manner. And we have, for example, this quarter, accelerated our investments behind Early Life Nutrition in China. On the debt side, we have used the proceeds of Stonyfield sale to pay down debt.

So, overall, these results reflect solid execution against our strategy with a step up in innovation and activation plans. These results also leads me to confirm our full year guidance, adding some details: double-digit recurring EPS growth at constant exchange rates, and we expect this growth to be above 12%.

Moving to the next chart, on Page 5. And before I enter into the numbers, you will see in the next few pages some example of this quarter's successful execution behind innovation, activation and consumer engagement. I will start with Page 5, with Aptamil and Nutrilon brand platforms in China, for which we've built new brand equity platforms to be more connected with millennial parents. In parallel, we've launched our Aptamil Platinum brand very successfully. And lastly, we launched this summer our first WeChat stores for both Aptamil and Nutrilon, that you see illustrated on the chart.

WeChat is one of the most frequently used apps, with more than 800 million users actively using the platform, but also half of them for payment. This will accelerate the use of the social e-commerce, and that will allow us to engage in China with more consumers in a direct manner.

Another illustration, next page, Page 6, is around an event activation. This is the example of Bonafont in Mexico, with a record-breaking sporting event, this year's 25th anniversary, that brought together over 70,000 women across 5 major cities in Mexico. This is the biggest female marathon in Latin America. And the race was a unique activation opportunity, remembering the importance of staying hydrated with incorporating healthy drinking habits into a daily routine.

Moving to another example on Page 7. It's an example around the activation of the Danone U.S. pledge. Here, you have the example of Danimals, with a focus on mothers who want to give to their kids healthy yogurts and smoothie with ingredients that they can trust from start to finish. And for me, just the occasion to say that Danimals grew by mid-single digits in Q3 this year.

Last example, before moving on to the numbers, is on Page 8, and it's the launch of a baby food innovation called Mini Lactés, from Blédina, in France, which is a very good example of our increased successful focus on digital precision marketing. This activation campaign was run almost entirely on mobile with great results.

So let's go to the more classical presentation of the numbers for Q3, and start with the sales bridge on Page 9. So on a reported basis, we are posting plus 16.6% of sales growth. First, there is an important base effect deriving from the consolidation of WhiteWave, which is 17%. There is a negative scope effect of minus 1.4%, which is related to the sale of Stonyfield that was completed early August as well as the sale of Fresh Dairy operation in Colombia in Q4 of 2016 and Chile in Q1 of 2017.

Moving to the right. We had a negative currency impact of minus 3.7%, mainly driven by U.S. dollar, Argentinean peso and Turkish lira.

Moving now to the like-for-like growth. The result of 4.7% growth reflects a positive 0.4% in volume improving from Q2, and a positive value effect of 4.3% showing continued progress on mix and value enhancement. Also this quarter, after discussing with our auditors, we have decided to stop the special treatment of overinflation of Argentina, going back to normal. This has no impact on the reported growth and has, on the quarter, a negative 0.5% impact on currency and plus 0.5% impact in the like-for-like.



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Let's go now into the underlying performance of our like-for-like growth into more details, and I will start Page 10, with the regional dynamics with our 2 reported regions, Europe and Noram, posting a flat performance versus last year; and rest of the world, posting a double-digit growth versus last year.

Starting with Europe/Noram which represents around 55% of our sales. In Europe, consumer demand remained subdued, and the retail environment highly competitive. In addition, Brexit is creating a volatile environment in the U.K. And in that region, we are working on executing competitive plans, continuing to respond to a fast-changing consumer environment.

In the U.S., we continue to operate in a highly competitive and deflationary environment with a growing share of U.S. retail being taken by e-commerce. In this changing environment, we continue to work on expanding leadership behind activating our brands and building a relevant innovation pipeline.

Moving now to the rest of the world, where we delivered like-for-like growth of 11.1%. Within this, there were, of course, different dynamics. I will focus on 2 key markets: Brazil, where the macro environment remains challenging. This has impacted the Dairy category, which continues to see a sharp double-digit deterioration. And to address this, we have undertaken a major transformation program to turn around the business.

Conversely, demand in China is increasing, driven by GDP growth and supportive demographics, including higher birth rates and the continued growing middle class. This has accelerated market demand on -- in our categories and on our brands where we are focused on securing sustainable platforms of growth. So overall, and as anticipated, we continue to operate in a very volatile environment in some markets. And with the strong fundamentals of our categories and brands and the successful execution of our strategic priorities, we continue to increase resilience in our growth model.

Moving now, Page 11, to the highlights of our categories, and I will start with Specialized Nutrition. So Specialized Nutrition represents today almost 30% of our total sales and delivered significant growth in Q3 at 17.8%. This very strong performance reflects both a solid performance across geographies for both Early Life Nutrition and Advanced Medical Nutrition as well as exceptional sales growth in China by more than 50%.

Second, Waters, 20% of our total sales, is posting, as anticipated, a strong acceleration with growth at 7.6%, which includes a strong rise in volume as well as positive contribution in value. This good performance reflects both a strong momentum in all platforms and a return to growth in China following the destocking transition period.

Third, Essential Dairy & Plant-Based, which is the remaining 50% of the portfolio. Essential Dairy & Plant-Based in Noram posted negative 2.2% growth, showing gradual improvement versus last quarter and progresses on the agenda in all categories.

And finally, EDP International posted a decline of minus 2.3%, driven by a strong decrease in volume of minus 7.4%. This was primarily due to a steep double-digit fall in sales in Brazil, as mentioned in the previous slide. In Brazil, we have a double-digit negative performance that we are currently addressing. And in addition to Brazil, the volumes have been negatively impacted by a strike in Morocco, following distribution organization. If we were to exclude Brazil, the overall performance in sales is almost flat at minus 0.1% and includes a slight sequential improvement in Dairy Europe and still good dynamics for Alpro.

I propose that we move now through more granular performance details through each business line, and I will start with Specialized Nutrition on Slide 12. Early Life Nutrition represents roughly 75% of the sales of Specialized Nutrition. In Q3, Early Life Nutrition generated over 20% sales growth with an exceptional growth in China, over 50%. I will zoom on China in a moment, but let me first go through the rest of the performance of Specialized Nutrition.

Outside China, Early Life Nutrition reported a solid sales growth, with North and Latin America growing double-digit, as well as positive sales growth in Europe. We also continued to deliver well against our 2020 strategic priorities. This includes, notably, continued investment in the Tailored Nutrition segment, which grew at mid-teens this quarter. As you know, Danone is the clear leader of tailored nutrition, which represents almost 10% of ELN portfolio. We also progressed in Organic, with the Happy Family brand in the U.S. posting a growth over 20%.

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Turning to Advanced Medical Nutrition, which represents about 25% of the sales of Specialized Nutrition. Advanced Medical Nutrition generated high single-digit growth in Q3. All regions contributed to this strong performance in Europe and in emerging markets where we invest as part of our core strategy. This is the case, in particular, in China, growing at above 30%, supported by favorable demographics. All segments, both pediatrics and adult care, contributed to this overall performance, which includes also a solid pipeline of innovation.

Last comment to conclude on this slide is to express satisfaction on the first results from our integrated portfolio in one-allergy between both Early Life Nutrition and Advanced Medical Nutrition categories with the allergy segment growing more than 10% this quarter.

Let me now go through a bit more granularity for China, regarding our Early Life Nutrition business. So first, let me remind you that China is the biggest infant milk formula market and represents more than 40% of the overall worldwide market. We just put on the left part of the slide a reminder of share of market per channel, as it was at the end of Q3. And I would like now to go through the different drivers that led to this exceptional performance for Q3.

First and most importantly, Q3 has confirmed a very strong acceleration of the Chinese infant milk formula demand, especially towards our brand. The market is around 10% growth after a flat market in H2 2016. This is driven by strong fundamentals, which includes supportive demographics, with the number of births over 10% in H2 2016, which was a 20-year high, but also a secular trend like continued affluence, middle class and urbanization.

Second. Early Life Nutrition has delivered a significant growth because it has successfully executed and accelerated its plan and continued to gain market shares. It has also been recognized best brand and best supplier by key customers, both in retail and online. And I really want to take the opportunity to thank the teams that have done an outstanding job on the field.

As part of our successful execution and acceleration, we have accelerated the level of investment in Q3 as part of our resource allocation process, and this was made along the following initiatives. First, on brands. As I previously commented, we have a renovated brand equity platform for both Aptamil and Nutrilon. Second, on product innovation, where we have successfully launched the Ultra Premium, Aptamil Platinum, nationwide. Third, on distribution, where we continue to expand our presence in both Tier 1 and Tier 2 cities. And lastly, in channels, opening, as I mentioned, our first WeChat store for both Aptamil and Nutrilon.

Also, as part of the execution on our strategic priorities, ELN has completed the infant milk formula registration for all the products which are being sold in China. And as a result of all the actions taken and the solid execution of the plans, we are progressing in building a more sustainable model of growth for China, increasing month after month the part of sales being under our control.

Another -- or last comment, which is that the performance was also driven by a favorable year-on-year comparison, as it appears that the cross-border e-commerce grace period might be extended to the end of 2018. While, at the same time last year, regulatory uncertainty created major destocking from cross-border players. And I will not change my message on this part of the channel: volatility is still to be expected in the quarters to come on this specific part.

So maybe one comment on the outlook for Specialized Nutrition. We do expect Q4 to be a strong quarter, with a high single-digit growth for Specialized Nutrition. This will lead the full year to be, as well, high single-digit growth for this reporting line.

Moving on Page 14, Waters. So in Waters, growth was at 7.6% in Q3, showing, as expected, a strong acceleration from Q2 '17. This very good performance reflects, first, continued strong momentum in all segments, with successful product innovation and brand activation. Plain Waters grew by mid-single digit. This performance is supported by positive trends across regions; LatAm driven by Mexico and Argentina; North America, where we successfully expand evian at a strong pace; and Europe, where underlying trends are solid.

The fundamentals of this segment are very powerful, and we will continue to leverage these strong assets with efficient brand activation and product innovation. As well, as part of the important sustainability agenda around the category, we have inaugurated our upgraded evian bottling facility, now a carbon-neutral facility, which fully contributes to our commitment to make evian brand carbon-neutral by 2020.



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In parallel, Aquadrinks stepped up at double-digit growth. This segment represents around 40% of total sales and has been driven also by successful innovation, such as, for the quarter, Naranjadas for Villa del Sur Levite brand in Argentina and Sirma in Turkey.

Another important factor of acceleration has been China, double-digit growth in Q3. As mentioned in June, Q2 was the last phase of the destocking transition period for Mizone. This very strong performance of Mizone this quarter was supported by the gradual recovery of the category and also a favorable year-on-year comparison due to the deceptive season of last year. This performance also reflects all the work that has been done by the local team over the last 2 years to make sure that we protect the brand, the market share and fully prepare for when the category would restore growth. As an illustration of our continuous activation and innovation plan, Mizone Pro, that you see on the chart, with very promising results.

In terms of outlook for Waters, we continue to expect the full year performance to be solid, supported by good momentum in all of our different platforms.

Let me now move to Essential Dairy & Plant-Based, and I will start with North America. EDP Noram delivered a gradual improvement in Q3, illustrating overall progresses in managing the headwinds with different dynamics per category, and I think it's better to go through each of them. Starting with U.S. yogurt. In U.S. yogurt, we gained market share despite a category that is slightly declining and highly competitive. This performance has been supported by strong sales growth, especially in emerging yogurt segments, such as plant-based.

On coffee creamers, we continued to deliver a persistent robust growth, ahead of the market, including positive category dynamic and continued share gain. This performance is also supported by the ramp-up of successful innovation, like SToK, that you see on this chart, which is a young, craft brand of cold-brew iced coffees.

The plant-based business posted a positive growth, driven by gradual stabilization of the core beverage portfolio and very strong sales growth of VEGA nutritionals and So Delicious frozen desserts. Market trends for the core beverage also appear to be improving in Q3.

The Premium Dairy business continues to be pressured by the industry's oversupply of organic milk. We continue to take steps to reduce our organic mix supply through review of the contracts; reallocation of the supply into emerging areas of the portfolio, such as organic yogurt, cheese and creamers. We are also optimizing utilization of milk through innovation, such as an extended shelf-life gallon, a vitamin D-enhanced milk and high-protein single-serve. Finally, we continue to work on fixing the short-term issues around Fresh Foods.

So overall, there is a gradual improvement, which give us confidence that category fundamentals are solid and that we are on track to continue to improve and go back to growth. Looking forward, for EDP Noram, we expect a gradual improvement in Q4, going back to positive territory, benefiting from a solid pipeline of innovations across the portfolio.

Let's move now to EDP International. Minus 2.3% like-for-like growth in Q3, where we have been progressing around fixing the fundamentals and accelerating young and local brands.

As I mentioned earlier, Brazil continued to face strong headwinds. The markets remains very fragile, declining by more than 15% in volume. In this country affected by both inflation and devaluation, to address this new consumer reality, we are transitioning our model. This include a full review of our portfolio, format, price positioning, a reshaping of our road to market and distribution networks.

If we exclude Brazil, the overall performance in sales is almost flat, and this includes, in LatAm, outside Brazil, a strong performance driven by Mexico. In CIS, the growth performance has been solid this quarter. Despite a still high single-digit volume decrease we report a solid positive sales growth, supported by all the work which has been done over the past 2 years on portfolio valorization.

In Europe, overall, on Dairy portfolio, the trend shows some positive signs in some countries where we have started to implement the adjustment plan around Activia. We have continued to progress over the quarter on Activia by launching a new campaign and by launching new innovation. The first results of Wecereal in France and Italy as well as double zero Activia in the U.K. are encouraging, showing a positive sales growth in the respective subrange of cereals and low-fat.



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In parallel, we just relaunched the Danone brand portfolio in Spain in September. Back to basics around all-natural and whole milk product and a new brand image. This is another step in restoring the fundamentals for successful, sustainable recovery of the business.

Turning to Alpro. The Alpro brand continued to deliver strong momentum in Q3, driven by robust growth in non-soy drinks and plant-based alternatives to yogurt, increasing penetration through brand awareness and shop floor activation. Alpro is growing in all 9 countries where it is sold, and we expect this momentum to continue for the rest of the year. So on EDP international, in terms of outlook, we expect continued improvement in Q4 versus Q3, with Q4 still negative.

To wrap up, and before I pass the floor to Q&As, just a few last concluding remarks, on Page 17. In Q3, solid progress has been made, fully in line with what we have shared back in May at our investor seminar and on track with our short-term delivery and mid-term commitment.

The quarter also illustrates very solid execution of our plans behind growth acceleration. As a result of the short-term delivery, the full year guidance is fully confirmed with some details. Double-digit recurring EPS growth at constant exchange rate, we expect it to be more than 12%. And as explained in July, this EPS growth will be the result of the combination of the inclusion of the WhiteWave base effect, a moderate like-for-like growth and a sustained improvement in margin like-for-like.

We remain focused and committed behind our 2020 commitments, ensuring sustainable value creation and supported by our unique guiding vision of Danone One Planet One Health.

Thank you for your attention, and I'm here for answering your questions.

Nadia Ben Salem-Nicolas

Thank you. So let's maybe go for the questions now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll go first to Warren Ackerman with Societe Generale.

Warren Lester Ackerman - Societe Generale Cross Asset Research - MD, Head of Global Staples Research and Equity Analyst

It's Warren Ackerman here at SocGen. Two questions, please. The first one is on China, not surprisingly. Just going back to the amazing 50% growth in the quarter. I'm just trying to understand the moving parts. I mean, clearly, there was comp issues there, easy comps and maybe some pipeline fill for the new Aptamil premium. I'm trying to understand how big a factor those were versus the kind of underlying improvement. And what kind of growth are you seeing by channel, Cécile? Because, clearly, we've seen indirect channel now back into growth for the last 2 quarters and you do say there's no change in the CBE regulation until the end of 2018. I'm just wondering what kind of factor that played in this growth as well. I mean, clearly, we're not expecting 50% to be sustained, but if you can just walk us through in a bit more detail what exactly is going on by channel, that will be very helpful. And then just secondly, going back to WhiteWave, I know it's integrated now. Are you able to give kind of an overall WhiteWave number in terms of like-for-like for the Q3? And maybe, could you sort of go through why you're so confident that Q4 will be back into growth? You talk about better innovation. Maybe you can kind of flesh that out a bit or what other factors are at play to give you that confidence for the final quarter?



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Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

Thank you, Warren. Thank you for your questions. So on China, I think the most important factor is that the exceptional growth comes from an exceptional increase in demand for our brands. And I think it's very important because all of this growth is not by chance, it's the result of a very solid execution behind the brand and behind the plan. In terms of dynamic between the channels, I think it's important that, maybe to specify, that we are on track with what we said. Meaning that we said that, overall, our objective is to improve the sustainability of our growth model. And from the growth that we have, more than half is coming from platforms that are under our control. So in terms of the way the weight is moving behind the different channels, we are rebalancing quarter-after-quarter the overall growth for China. So it's really about the market demand, the consumer being really skewed towards our brands. Both channels are growing. But given all the work that has been done, we are managing to grow the channel that is under our control, more than the other channel. And then to give you a bit more color on how you can use the numbers, you have to refer to my Q4 outlook where I said that Specialized Nutrition will be growing strongly, high single-digit growth. And I think it's the way that you need to lend the different numbers in terms of basis of growth. The market is growing strongly, and we are gaining market share, which is really what is happening there behind our brands. In terms of your question on WhiteWave, I think, looking at the overall WhiteWave performance, you can look at the same order of magnitude as the one for the Noram overall business. What makes us confident is that, in Q3, we have gradually improved, and we have gradually improved on stabilizing plant-based. Plant-based is several businesses, as you know. You have the nut business, which is, in terms of beverage, growing and where we outperformed the category. But we are still negative in terms of when it comes to soy. Also, we are improving gradually so this makes us comfortable. There is still a very interesting pipeline of innovation as well to come. On coffee creamers, we continue to plan a very solid business, and recent innovations have got traction, so this is also something that is giving us comfort. Our U.S. retail yogurt business continues to display resilience. And finally, there is the Premium Dairy that is still weighing on the performance, and where here, again, quarter-after-quarter, we are improving. So what makes us confident is that the improvement is there. The business fundamentals are very strong. And gradually, we are really rebuilding the dynamic of the growth, and we should be able to reach positive territories in Q4.

Operator

We'll go next to Alain Oberhuber with MainFirst.

Alain-Sebastian Oberhuber - MainFirst Bank AG, Research Division - Head of Equity Research Switzerland & MD

Alain Oberhuber, MainFirst. I have a question regarding Brazil. Could you give us a little bit more insight on the numbers about volume and value development as well as when you expect that we could see a bottoming out of the current difficult development? And second question is regarding Alpro. You said that you are rolling out further that brand into Europe. Could you tell us where you currently are with Alpro and what is the intention, how many of your markets in Europe you would like to see Alpro in the shelf of the retailers?

Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

Okay. So on Brazil, and I focus on Dairy because the headwinds on Brazil are really about the Dairy category. We are double-digit negative in volume and in value. The reasons is really what I described earlier. What we are doing, because I think this is what is important in order to turn around the business, is really to readdress the totality of our portfolio in terms of price positioning, in terms of making sure that we are aligned with the new reality of the consumer of today in Brazil as well as we're revising our route to market. We go through distributors. We are revising that to make sure that we have a solid distributor and road to market. In terms of timing, we need to take the right time to do it properly, so I will not want to rush into tactical quick fix. And in terms of comfort, you can refer to everything we did in Argentina when there was a crisis, and we really stayed there and reinvested totally our business model, and we came out stronger than before. So this is what we are doing, but it will take a bit of time, and you shouldn't expect to see a turnaround happening before the course of 2018. So that's for Brazil. Now in Brazil, Early Life Nutrition and medical categories are growing, so the turnaround is really skewed towards the dairy category. As far as Alpro is concerned, so Alpro today is present into 9 markets. It's growing everywhere into this 9 market, gaining penetration, but also with good innovation. We said, and you're right to mention, we said that we still have white spots and integration between Danone and Alpro will help us to really accelerate and maximize the growth opportunities towards Alpro. This is not in the numbers today, but we will -- it is in the synergies number that we presented in July, and



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we are now in the process of starting with France and Spain in putting Alpro in our sales force to make sure that we can double down on the opportunities.

Operator

We'll go next to Martin Deboo with Jefferies.

Martin John Deboo - Jefferies LLC, Research Division - Equity Analyst

It's Martin Deboo at Jefferies. Cécile, I'd just like to go back to China, briefly, if I may. I'd just like to be as clear as I can about how the tax and regulatory environment in China is moving. Am I to take it that the duty changes on cross-border planned for the beginning of the year are effectively postponed for a year? It's not exactly clear to me what's happened. And if that is the case, how much of a factor in Q3 has been the reacquisition of inventory by the trader channel who have previously been running down inventory in anticipation of the change at the end of this year? And can I just be clear, has there been any change in the licensing regime, in the timing of the licensing regime in China, which we were expecting to get underway on 1st of January '18? Those are the questions.

Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

So on China, I'm not sure I am the best competent person to comment on regulation. The thing that we know, which is what has been said by the State of Council, which is an expectation that the cross-border e-commerce regulation will benefit from an extension of the grace period, until the end of 2018. So that is what we know. There is no more details today to share. And we assume that this has created, in Q3, an anticipation from cross-border players in the way they have grown and stocked the business. And this compares to, if you remember Q3 last year where, given the uncertainty in terms of regulatory, we had a very important decline in our brands on this channel. If -- I want to make it as clear as I can, acknowledging that there will continue to be volatility, and there is absolutely no 100% certainty on how this will play for the next quarters. If you look at our growth, and we exclude the indirect performance, Specialized Nutrition has grown 12%.

Martin John Deboo - Jefferies LLC, Research Division - Equity Analyst

Okay. And quickly, Cécile. Is the licensing regime still coming in on 1st of January? Everybody has to be licensed by 1st of January?

Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

Well, we are, all certified. So for us it's done.

Operator

We'll go next to Jon Cox with Kepler Cheuvreux.

Jon Cox - Kepler Cheuvreux, Research Division - Head of Swiss Equities and Head of European Consumer Equities

Yes, I have just -- Jon Cox, Kepler Cheuvreux. Just a couple of follow-ups, actually, on what Martin and Warren have been saying on China. You talked about growth of 12% excluding indirects. Is that for the division as a whole or are you referring to China and this 50% growth overall? That's the first question. Second question, just to clarify. You said that America's dairy -- Noram Dairy will go positive in Q4. Just to confirm that, if you would. And then thirdly, just on Activia, you mentioned some encouraging results in terms of launches in cereals and you mentioned low-fat products. Just wondering what's coming up during the pipeline because, obviously, a lot of that turnaround in international will be linked to Activia's relaunch over the coming months and quarters.



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Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

Thank you, Jon. So in terms of the growth, what I mentioned is about Specialized Nutrition, so it's the reporting line is growing outside indirect around 12%. If you take Early Life Nutrition, it's closer to 15% if you take the global, the global Early Life Nutrition. So that's overall, the impact. I think, yes, it's important to really understand the dynamic because it will continue to create volatility, and that's why I really refer to the outlook that I gave for Q4. But I think it's also important to remind that the demand that is going towards our brands is not by chance. We have been investing behind making sure that we build a more sustainable platform of growth. Today, the channel that is growing the most is the e-commerce, B2C channel. So we need to make sure that we are clear to the fact that we are progressing in rebalancing our model of growth towards more sustainable growth. But yet, there is a year-on-year comparison that is favorable, as I mentioned, and which is linked to what I said earlier as a comment. That's why when we go for the Q4 outlook, we said Specialized Nutrition in Q4 will be high single-digit growth. So that's just to wrap up on Specialized Nutrition. Then, in terms of Noram, what I said exactly was that we will continue to see a gradual improvement for EDP Noram, and that we should be back to positive territory by Q4. Regarding your question on Activia and the launch of cereals, I think there is a quite solid pipeline of innovation. But I think, on Activia, it's important that, because you have the innovations that have created quite a nice momentum in some countries. There is also the fact that we have now finalized the adjustment on the pack and that we are going into a new campaign and brand equity that is back to basics around the bellies. And where we have put this change and this innovation, we are having encouraging signs of improvement, so we need to continue to roll that out and make sure it's solidly executed. And then there are some more innovations to come. In France, we launched a drink format. So it's really, locally, there will be more innovations to come. I think, overall, and it's the comment I made on the quarter and, as a whole, I think the quarter is really -- and the acceleration of growth in the quarter is really illustrating a solid execution of our plans that are starting to deliver the acceleration that was anticipated when we spoke in May.

Jon Cox - Kepler Cheuvreux, Research Division - Head of Swiss Equities and Head of European Consumer Equities

If you exclude Brazil for the final quarter, do you think you'd actually be positive now in International Dairy in Q4, excluding Brazil?

Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

In Q4, excluding Brazil, we should be sequentially improving.

Jon Cox - Kepler Cheuvreux, Research Division - Head of Swiss Equities and Head of European Consumer Equities

You're basically flat, Q3, excluding Brazil. So then that implies you would be positive.

Cécile Cabanis - Danone - Executive VP, CFO & Information Systems

Well, you do your Excel. You do your math.

Nadia Ben Salem-Nicolas

Operator, maybe one last question to finish the call.

Operator

We will take our final question from Alicia Forry with Investec.



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Alicia Ann Forry - *Investec Bank plc, Research Division - Analyst*

Just on the U.S. markets. If we could talk a little bit about the stronger or the better plant-based growth that you're seeing there. Is that related to specific campaigns or actions that you took? Or is that simply just the market gradually improving? Sort of some comments on the health of that category would be helpful. And then also, if you could give us a bit of an update on your market share progression in U.S. yogurt, please?

Cécile Cabanis - *Danone - Executive VP, CFO & Information Systems*

Sure. So on plant-based, the category is back to positive. But as I said, when you look at the range, there are different dynamics. We are gaining market share on the net part of the portfolio, which is really linked to the way we are activating. It's also linked to the first results that are coming out of the integrated sales force. So this is one nice delivery. Then on plant-based, as you know, there is a big part of the portfolio that continued to be soy, which was decreasing as a category, or the segment of the category. And here, we are sequentially improving. So, overall, in terms of Silk, we are stabilizing the market share in a category that is growing, but with different dynamics, and it's important to have the reading of these different dynamics. And the fact that we are gaining share on part of the portfolio is the results of a good execution. And then in terms of yogurt in U.S. retail, we continue to gain market share. So we have a category that is very highly competitive and challenged, but we continued to gain market share over the period. So this is here, again, a very strong sign of resilience in our portfolio. And also, this is coming with a very solid execution on the non-GMO plan. I mentioned Danimals growing mid-single digit. And good growth from emerging part of the portfolio on yogurt, such as plant-based yogurt.

Nadia Ben Salem-Nicolas

Thank you, everyone. That's the end of this call. Obviously, Célia and myself are here to follow up on your questions later in the day. Have a very good day, everyone.

Cécile Cabanis - *Danone - Executive VP, CFO & Information Systems*

Thank you. Have a good day. Bye-bye.

Operator

And that concludes today's presentation. We thank you for your participation. You may now disconnect.

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