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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Danone H1 2020 Results Conference Call. (Operator Instructions) I must advise you that this conference is being recorded today.

I would now like to hand the conference over to your speaker today, Ms. Nadia Ben Salem-Nicolas. Please go ahead.

Nadia Ben Salem-Nicolas - *Danone S.A. - Head of IR and Financial Communication*

Thank you very much. Good morning, everyone. This is Nadia Ben Salem-Nicolas speaking. I'm here with Emmanuel and Cécile. We appreciate your attendance to this call during this very busy reporting day. As usual, we'll go through the presentation before turning the call to your questions.

I remind you that the presentation and the half year financial report with the full financial statements are available on our website.

And before we start, I draw your attention to the disclaimer on Page 2 related to forward-looking statements and the definition of financial indicators that we'll refer to during the presentation.

And with that, the floor is your Emmanuel.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Nadia. Good morning, everyone. Thank you for your interest in our reporting this morning. We appreciate that, as Nadia said.

We are pleased to report a set of results that essentially show that our ability during this, what we've called, this first phase of the COVID crisis, which essentially was covering most of H1; a phase where we wanted to first, protect our people; second, protect our cash, and do that while driving our brand's preference to emerge stronger as a competitor in the new world with COVID.

We'll go through a number of presentations with Cécile that I think will exemplify and demonstrate what I just said. We are posting an H1 2020, which you can go and see and share with me on Page 2, which is the result of a mixed period between Q1 and Q2, basically with in total like-for-like sales growth of minus 1% and a recurring EPS of minus 10%.

The highlights for the H1 and really that we had, as we've shared with you a pretty solid momentum prior to the pandemic. And obviously, Q2 has been heavily impacted by the global lockdown with marked differences between channels and formats. EDP and SN have been able to continue to grow about 3%, and Water is down nearly 20%, 19% on the first half.

What I think is very important is to share with you today that we've been improving the underlying business fundamentals with increased penetration for our categories, increased market share in a number of cases, continuing the local anchoring. You know that we've seen the food revolution that really something that roots food as part of local. And clearly, that lockdown has been an incredible period of demonstrating how relevant that's going to be for the future.

The margin has been hit down to 14%, minus 70 bps, with a continued focus on efficiency which has allowed us to partly offset the COVID-19 impact on which Cécile will further develop.

I'd like to say a few words before we start on outlook, and we'll come back to that, of course, at the conclusion and also in your questions, I'm sure. We continue to see limited visibility, if I could say, in H2. We're maintaining our commitment to the long-term frame of actions and our goals, including our midterm guidance. We see uncertainty remaining on the duration of this second phase, in which we have started to enter probably mid-June, globally, of gradual reopening and what is the shape of this new normal that's gradually installing.

We believe that there will be polarized market dynamics, in many directions, categories, channels, geographies, but also consumer, between up-trading to health food and down-trading because of affordability need with the social crisis that's going to start. And continued bottom line headwinds from COVID, and from us, reinvestment to continue to secure this stronger position for our brands. It's really a time to invest.

Thirdly, on outlook, I'd say, we want to also accelerate our business transformation. We see many opportunities to accelerate rather than slow down on this, and we'll come back to that. And finally, as you know, we are progressing our balanced multi-stakeholder approach to value creation and sharing. And obviously, and again, there has not been, at least in my business experience, a period where that has been an evidence or there has been so much evidence of how stakeholders' management is going to be fundamental for business success in the future.

Page [5] (corrected by company after the call) gives you a few highlights of Q2 with the factors illustrated on the right of the pandemic expansion into new regions, the reversal of Q1 of pantry loading, the full effect of out-of-home closures, especially in Waters. And on the margin side, extra costs to maintain supply chain in first phase of pandemic, and the deteriorating mix from channels and format mix on which we will expand further. The result is, for the company, minus 5.7% like-for-like sales growth in Q2 with Rest of the World weighing more than Europe and Noram that have resisted relatively well. And for the margin, as I said, a dip in both margin and EPS. Protecting our free cash flow has been a priority, and Cécile will come back to that.

Just to illustrate some of the above dynamics that I mentioned on Page [6] (corrected by company after the call), sharing with you this exceptional contrast that we saw on H1 by business to start with. 80% of the business, as I said, SN and EDP are growing around 3%; Water, down 19% for 20% of our total sales. By channel, where e-commerce has been growing very fast, as I think, for any of the major FMCG company, plus 30% on H1 and even more on Q2. Good resilience of the specialized distribution stores, pharmacies, modern trade. We've been pretty good on modern trade. But traditional trade and even more, of course, out-of-home have been declining, out-of-home being minus 30%. A big chunk of that is Water again.

And if we look into Water by format, that's a good illustration where you see that small and single-serve are down minus 30% on H1. Again, much bigger number decline in Q2. And large formats and jugs, 12% with even further growth in Q2 on this, which we feel is a very interesting and important point for us in terms of the resilience of the Water category when people also are concerned about the health in total and the quality of what they eat and drink, even at home.

Page [7] (corrected by company after the call) gives you a bit of breakdown of what we have already shared with you in a number of occasions. The COVID meant for us extra supply costs directly related to the crisis. We estimate there are about EUR 115 million on the first half of this year with, as you can see, a balance of investments in donation and bonuses, in sanitary measures and extra logistics and supply chain costs.

Maybe before I turn to Cécile for the financial review, a word on Page [8] (corrected by company after the call) about the stakeholder management by Danone to just share a couple of highlights in the Q2. As you well know, we have become an Entreprise à Mission, it's a pioneering structure for both the company of our size globally, a listed company of our size and a French company, which for us is creating a very interesting start in this crisis to govern the way we manage our stakeholders to create value in a completely and radically, both innovative and competitive manner, because that's an asset that nobody else has.

The B Corp journey is, of course, embedded in this approach and will be enabled by this new governance for acceleration. We now have 45% of our global sales now covered by B Corp certification, the latest being our Volvic brand and our Early Life Nutrition in China, which, again, has interesting resonating impact on these categories, our relationship with stakeholders there and gradually, consumers.

With that, I will turn to Cécile to lead us through the financial review. Thank you.

Cécile Cabanis - *Danone S.A. - Executive VP of Technology, Data, Cycles & Procurement, CFO and Director*

Thank you, Emmanuel. Good morning to all. So I will jump straight into the sales bridge on Page [10] (corrected by company after the call). If we look at H1, it's really kind of, what we could say, the first phase of the crisis, where it was really the time with the pandemic outbreak and expansion together with successive local government measures, mostly around the protection and lockdown. And this is really the context into we need to read the performance as many of what happens is really directly linked to context. But we are already seeing some of the shift that would be remaining more structurally, and you will see that we will accelerate investment on those. And we will still need to observe on the rest, what is going to normalize or not. So H1 is really to be looked at one phase of this pandemic.

So if we look at the sales bridge, like-for-like revenue slightly declined, minus 1.1% in H1, with volumes slightly up, 0.1%, and a negative value effect, 1.3%. Within the value, the pricing held well, remaining slightly positive, and all the decline can be attributed to the mix. And with most of the pressure coming from Waters, driven by the shift in channel and format as a consequence of lockdown measures. Argentina, which is not accounted for in our like-for-like performance, is an extra 40 bps of growth. The scope had a negative effect of 80 bps, reflecting the divestment of Earthbound Farm that occurred in April last year. And finally, currencies had a negative effect, 2.1%, which is mainly driven by devaluation in both Latin America and Russia. So this led to total sales for the first semester, EUR 12.2 billion, declining by 3.6% on a reported basis.

Moving now to the margin bridge on the next slide. As you've seen in the release, H1 recurring margin stood at 14%, which is down 72 basis points compared to last year. Maybe I will start by the right part of the chart, which is the impact that is deriving from the extra cost from COVID that Emmanuel mentioned, EUR 115 million, that are incremental costs incurred to really face the different measures and make sure that we were protecting our employees and business continuity. So if we exclude that, the operating margin would have slightly increased to reach 14.9%, well on track with our initial objective that we set in February. This performance is a combination of, on the left, 47 basis points effect from scope and currencies; and overall, minus 26 basis point effect from the operating performance. We can say that the operating performance held up pretty well despite the headwinds of a strong reduction in operating leverage, especially in Water; a negative impact on mix from both channel and format shift, again, especially in Water, this accounted for 80 basis points; and 240 basis points impact from overall inflation in our raws and packs and operations. With, on the other side, mitigation through efficiencies, through continuation of Protein program and tactical and discretionary reduction of expenses, together with the optimization of our promotional spending, really enabled us to mitigate for 290 basis points, the negative impact. We also made sure that we were adapting our portfolio in order to prioritize both the high-velocity SKUs, to maximize the production capacity and also the ability to serve our customers the best way, taking into account the social distancing measures in our factories.

All these in term of efficiency was around EUR 350 million of savings. And as you've seen, we've been really making sure that on the brand investment, we were not reducing, but only the one that were not necessary as well as taking profit of the shift to digital and the reduction in media cost. So overall, we reduced by 23 basis points to make sure that we continue to support the brands. And this is showing in our market share expansion results that we've been having in H1. So that's where we are in terms of margin.

And now let me go into the different entities and maybe do a deep-dive in the 3 of them, starting with Specialized Nutrition. So if we look at Specialized Nutrition, it ended the first semester with positive growth, 2.7%, which was a balance between higher volume and also increase in average price per kilo, which is thanks to premiumization and product mix. There was a nice improvement in margin, 113 basis points, thanks to continued synergy. You remember that last year, we started to merge both Early Life and Medical Nutrition organization in the countries, and this led our business to reach a margin at 26.4%. The first half was made, as we said, of 2 opposite and complementary quarters as far as the pandemic expansion is concerned. You remember that Q1 took into the numbers, especially in March, high pantry loading from Europe, especially. And what we've seen in Q2 is the destocking effect. So we have a Q2 which is minus 2.2%, but is really mirroring the exceptional effect of Q1.

If we look through the regions, and I will start with China. In China, sales in Q2 were broadly flat. Advanced Medical Nutrition continued to perform well. When it comes to Early Life Nutrition, the overall underlying market demand remains solid and healthy and Aptamil market share stayed well above last year. What we've been seeing in Q2 is that the sales in mom-and-baby stores increased by around 50% after a Q1 that was hit by store closures. And sales were mostly affected in China for ELN by the Hong Kong border closure. The fact that travel restriction continued to limit the sales through the friends and family channel. And we started to see a partial destocking in the indirect channel and Daigous.

Over the quarter, we also introduced a number of innovations through the cross-border e-commerce channel to continue to expand on our ultra-premium plus offering, especially the range Aptamil Essensis, which is really the most advanced version of our Aptamil, and with offering with an increased HMO content and first organic A2 version, again, under Aptamil brand.

Going to Europe. After an exceptional month of March, as I said, with sales that were up 30%. As anticipated, what we saw in Q2 was an almost complete destocking, bringing sales down 10% in the region. Medical Nutrition was also under pressure in the quarter because what we saw is that hospital and prescription activity were much lower for non-COVID patients during the pandemic that it was before.

In the rest of the world, the business continued to benefit from strong momentum with market share gains, notably in Southeast Asia, which posted high single-digit sales growth.

Going to Page [13] (corrected by company after the call), important to have a focus on China and especially on what we announced a few weeks ago. Regarding an increased investment of EUR 100 million, which is really aiming at further anchoring, locally, our leadership in the region, China being a very important market for us. And a market where we believe the long-term growth potential of the infant milk formula and medical nutrition is there. So it's 3 initiatives. The first one is the opening of a local R&D facility. The second one is the acquisition of local IMF capabilities with a local factory, including registered brand and recipe. And the third one is an expansion of capacity in order to broaden our medical offering in our local factory of Wuxi. So we are very pleased with this initiative and confident that it will support and strengthen our success in Specialized Nutrition in the region.

Let me go now to Page [14] (corrected by company after the call) on Essential Dairy and Plant-based. So we are very pleased to report that our largest business we've been talking about for many years has been the fastest growing during this period. Posting solid growth, 3.1% on a like-for-like basis in the semester, with a notable 2.3% growth in volume, where 5 of our top 10 largest brands like Silk, Horizon, Alpro, Actimel and Danette grew double digit. The total plant-based sales reached EUR 1.1 billion in the first 6 months and were up into double-digit and high teens, if we exclude Vega, so well on track with our ambition of EUR 5 billion for 2025. The margin remained slightly above 9% in H1 as we broadly managed to offset the combined effect of the negative mix from format shift and the extra COVID costs.

If we go to the performance per region in the second quarter, Europe delivered solid growth, which is in line with the first quarter. Alpro posted again double-digit growth, both within and outside its historical 4 biggest markets. And Dairy Europe held onto the low single-digit growth level that we observed already in Q1, with a balanced contribution from all countries North America, solid growth as well in the quarter with a low single-digit growth from Essential Dairy part of the portfolio and mid-teen growth from Plant-based, again aside from Vega, which continued to be negative in growth. Noram business was more impacted by out-of-home closures than Europe as those channels represent roughly 10% of its revenue, highly skewed to the coffee creamers and frozen yogurt segment.

E-commerce sales more than doubled in the quarter in Noram. The yogurt segment overall declined low single digit. Coffee creamers posted strong growth and Premium Dairy segment posted another quarter of double-digit growth, continuing to benefit from increased at-home consumption.

Moving to the Rest of the World, the performance was mixed. On one side, CIS posted broadly flat sales in the quarter, which confirmed the success of the revamping of our traditional portfolio under the Prostokvashino brand. But sales in Latin America and Africa were highly impacted by the expansion of the pandemic where traditional stores, which represent the bulk of channel exposure, declined at high single-digit rate, with both demand and supply very affected by the sanitary restrictions that were implemented in Q2. If you take Latin America and Africa together, it's around 15% of EDP sales.

Moving to the next slide. I think it's important that we focus for a minute on the 2 largest regions for EDP, which are Europe and Noram, that both delivered around 5% growth in the first half. Looking at this good performance, there has been some effect of temporary shifts of at-home consumption from COVID. But it's not all. The performance really speaks of the continued essentiality and dailiness of our dairy categories. The positioning of our portfolio on health, immunity and also indulgence, which are 3 trends that have strongly supported growth in the semester in the context of a global sanitary crisis. Also, the increased penetration of Plant-based, and overall, a selective target of growth space that we've been focusing on.

Also, our big brands are much stronger, building on their positioning and equity. Some of our largest brands continue to perform well and gain market share in their respective key markets. In Europe, the dairy category posted solid growth since the beginning of the year and continued to be in the basket, as you can see on the chart, of almost all household, 97%. And since the beginning of the crisis, we've been gaining almost 1% market share in each of our 3 largest countries: France, Spain and the U.K., thanks to our 4 largest brands in the region, which are: Activia, Actimel, Danone and Danette. So overall, a good bundle of both higher category frequency and brand competitiveness.

More globally maybe to give you an idea at company level. Since the beginning of the year, total portfolio, we've been gaining market share on approximately 50% of the portfolio.

Moving to the next slide, North America. Like Europe, North America, mid-single-digit growth in the first half was supported by higher at-home consumption and also fundamental of our categories with continued penetration gain in plant-based products and organic milk categories in the period. Today, when you look at it, almost 1 out of 2 American family consumes plant-based beverage, when it was 30% at the time we acquired WhiteWave. This broadly benefited our portfolio of brands and especially So Delicious and Horizon Organic that gained market share over the period.

To conclude the review of the entities on Page [17] (corrected by company after the call) on Waters. Waters, we have sales that declined 28% in the last quarter, which is in line with the update that we made at the time of the AGM. Overall, all regions posted a sales decline between 20% and 40%. As the pandemic really expanded also into new regions, which were still a bit protected in the first quarter. And is now, in Q2, reflecting the full effect of out-of-home closure in Europe and in other countries in the quarter.

The trends for Mizone in China improved but remain significantly negative, impacted by the limited footfall of consumers in urban areas during what we know is the high season for beverage. Even now, while there's a clear trend of reopening traffic in China, it's still between 40% and 50% below pre-COVID levels.

The performance overall was largely correlated with the channel shift and format dynamics that is really created by lockdown measures and sanitary restriction locally. By channel, we have out-of-home in Q2 that usually accounts for 45% of category sales, higher than the average of the year, which is around 40%. This channel, as you know, registered sales down almost 50%, accounting for most of the revenue decline. And on the other hand, the remaining half of the business, the at-home consumption was also down in value, impacted by proximity stores closure, especially Latin America, and unfavorable mix format.

So this is also explaining the wide gap that we have seen in the growth between small and large formats. If we look at jugs, they are up 12%, but small format and, notably, aquadrinks were severally hit by the lack of consumers out and the closure of the out-of-home channels. Given also the huge price difference per liter of the formats, with jugs being between 3 to 5x less premium than the 33 centiliter format, the bottom line, as you see, was also materially down given the operating deleverage. And we ended the semester with a margin at 6.3%.

I think it's worth still to go to Page [18] (corrected by company after the call). And zooming into the bottled water category in Europe, which suffered as everywhere with the out-of-home closure. But if you look at this chart, you see that evian and Volvic posted 4% volume growth for large formats in H1 versus last year, thanks to a portfolio also made of several new options ranging from 1 to 8 liters. So it means that people at home having the ability to consume tap water continue to buy water and this is confirming the strength of the category around healthy hydration. So that's on Waters.

I think let's go now to the rest of the financials before we open the floor for your questions. Page [19] (corrected by company after the call), you have the EPS. Recurring EPS, EUR 1.68, 10% below H1 2019. Well this is, as you can see, the direct consequence of what I was describing in terms of top line and bottom line evolution for the semester. Apart from this, you can see that financing costs have decreased thanks to the bond issue that we did in the semester with very favorable cost. The other thing worth noting in the tax, associates and minority is overall the associate impact, which was negative 2.5%, and which is mostly linked to the weak first half of Mengniu and Yashili in China.

The reported EPS stood at EUR 1.55, slightly below last year, especially because last year, we had a write-off linked to the sale of Earthbound Farm. And as you know, because we were really focusing in the first half of business continuity, serving customers, we have rephased part of our investment plan, which will occur and we will reaccelerate on it in H2. But in H1, we had a less nonrecurring items.

Moving now to Page [20] (corrected by company after the call). Emmanuel said that one of our focus for the first half and overall, when there is a crisis time, is really to protect the cash delivery. The free cash flow stood at EUR 929 million, remaining around 8% of net sales. The working capital increased in H1 still remained well negative. And the increase is the consequence of the choice we made to protect fragilities and disruption in supply chain. So having more safety stock in both raw materials and finished products to make sure we were able to cope with the swing of demand.

And also, the facility easing that we made in order to protect our ecosystem of customers and suppliers in offering them some easing in their payment delay or receivables. So that's where we are in cash.

Overall, in CapEx, we increased slightly. Still, we have rephased some of them. I mean, you know that in this period, you couldn't set up a line in a factory and things like that, so there are some logical rephasing. And again, the plan is still there, and we will accelerate in H2.

Lastly, with the balance sheet. There's really nothing to emphasize that is specific. We have an increase of net debt, which is linked to the payment of the dividend. We've been continuing to be very mindful on monitoring the overall liquidity and net debt evolution for the full year to make sure that we could retain our investment-grade and notation. This is an important part for us.

And with that, I will give the mic back to Emmanuel to talk around the outlook and the priorities.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Cécile. If you turn to Page [23] (corrected by company after the call). I can probably skip the first column of H1, which we have gone through. Back to my initial comments of the fact that we are now entering into Phase II gives you a color of how we are looking at H2. H2, we call it stop-and-go reopening, which, from a macro standpoint, we would describe as this gradual reopening with resurgence of at least local lockdowns. And with the fear of a second wave, which is going to be affecting consumer confidence, the way organizations will prepare themselves and the way governments will manage the overall situation. For us, at Danone, it's a very important moment because that's a moment where, while continuing to protect people, cash and driving brand preference as I said earlier, that's continued from the first phase of the crisis. We really want to learn about what is going to be sticking in the patterns of consumption that we see by channels, countries, categories across the globe right now, and what is conjunctural versus structural shifts. So these learnings are going to be essential for us to prepare for Phase III, which is going to be 2021 and onwards in terms of adaptation.

What we want to implement in terms of financial is that we expect a polarized top line dynamics, as I mentioned earlier. In a way, there will be a sequential improvement of our growth based on Q2 onwards. From Q2 to Q3, Q3 to Q4. But frankly, hard to know given the volatility of macro scenarii and lockdowns. What is definitely clear for us is that there will be a further hit in the margin by the continued obvious COVID cost, which Cécile elaborated on. The continued negative mix that we are facing, in particular, with -- between categories and within categories when it comes to channels and formats mostly. And we added on this chart investments. We have been very cautious in the way we spent money to drive our brands' preference. During the lockdown, there were certainly channels in which there was no way that it would have made sense to spend that money. The result is what Cécile shared, the 23 bps generation of resources from brand investment overall. We expect to reverse that in Q2 to really, as I said, emerge stronger as brands, and many of the things that Cécile shared with you show that we are driving this brand preference actually and the relevancy of our categories.

Probably add to that what Cécile mentioned about CapEx where we need to reaccelerate a number of things and continue the transformation that will also drive additional costs.

Just a word on the third column on the right, '21 and onwards. Our best guess today is that we will see starting or lapsing the first wave in China in Q1. Normalization of public policies overall, hopefully, that's at least what we expect. And people establishing themselves into new norms of private consumption behaviors, both from a consumption and a channel/shopping dynamics. With that will come, for us, adaptation plans. Which brands and product portfolio do we want to keep and push. Channel strategies, redirecting money and resources as we are already starting to do this in H2 in a short-term manner. We obviously want to do this in a strategic manner once we are clearer on what's going to stick. Push efficiencies beyond what we have done now. And obviously, ways of working, there is so much that we've learned or we are learning. Hard to say, again, what's going to be staying or not. But we are learning and experimenting obviously as many or the companies that you follow absolutely new ways of working, which for some of them, I think, will stay and which will generate efficiency, speed and cost reductions. So with that, we believe in '21 that this progressive normalization will support us towards our pre-COVID financial objectives and the midterm guidance that we have shared with you.

The next page is important for me because it illustrates the mindset with which and the convictions with which we are preparing ourselves for this further corporate transformation to adjust to this new world. I'll start with the obvious, on the right, pushing hard on availability. Nothing new really for the last 6 months there, but really, the need for us and the opportunity to be more strategic on e-commerce acceleration, proximity and convenience in the new shopping environment. And of course, direct-to-consumer, which we believe is going to stay. The 2 blocks in the middle are essentially talking about the relevance of our portfolio as it is today from a trend standpoint and from the diversification or the diversity rather of our product portfolio and formats. Even though we are suffering on some of them, we still believe that they will have some place, an important place to play in the future.

And on the left, the right categories. We are saying here health-focused portfolio, flexitarian diets promotion, leader in organic. Obviously, when we read Boris Johnson going to fight obesity in the U.K. with a big government plan and us being an Entreprise à Mission with the portfolio that we have in the U.K., where 99% of our portfolio is deemed for daily consumption on dairy, Plant-based, Water, Medical and Early Life Nutrition, we believe we have the right portfolio to support governments and their efforts on this, and therefore, be prepared to be on the right side of the equation when incentives, whether positive or negative, will be put in place to do that.

If I even take a step back forward and look at the WhiteWave acquisition 3 years ago. Today, WhiteWave's legacy business is growing double digit. Cécile mentioned Plant-based, but there is no category in which we are not growing at 10% in WhiteWave on the H1. And therefore, the impact on EDP, which Cécile shared, is a big acceleration on top of the fact that our dairy platform is improving in most geographies, except as Cécile shared, in Lat Am and in Africa, where we're hit by the lockdown strategies in Q2. We're improving everywhere else, including positive growth in both Noram and Europe. But WhiteWave categories are bringing a huge kicker to that growth, a multiplier to that growth level. So we believe that this strategic move is fueling our ability and structuring our ability to answer the next trends and the emerging trends that we see all over the place with the COVID now.

To be quick on Page [25] (corrected by company after the call), it's more like a reminder because we brought in -- on the 26th of February, a very big investment plan, which serves the purpose of adapting to the food revolution further. And we had a number of discussions with you about it. So this EUR 2 billion that we announced for the next 3 years are there with basically, if you look at the breakdown in green and blue there, the scope and timing of that 3 years are confirmed on our investments on diets and agriculture. They're confirmed on packaging circularity, although some of that is going to be delayed both by repurposing of some resources to more urgent things, as we speak right now in Europe, in particular, to address what's relevant for consumers in the current situation, and also, sometime by the lack of availability of some materials, like rPET right now is very rare given the lack of the full capacity of recycling in the COVID context. So we will retime some of that within the horizon, but the horizon is maintained in terms of '22 direction.

The blue thing is about digital end-to-end. Not only the scope is confirmed, but the timing is accelerated, and that's back to what Cécile said and what I repeated about the investments starting in H2 to drive the acceleration of this transformation. And I think the right block on this chart is simply a reminder that we have had, as you know, an acceleration plan for our e-commerce. This is there, and we will double down on this e-commerce and data acceleration.

I will simply finish by putting the same chart as the one I started without going into any details because I think we covered most of what we wanted to say. We believe again that the worst is behind us in terms of top line growth. We are in this phase where we want to continue with the same metrics guiding the way we run our business in Q2. But again being -- paying a lot of attention on what we learn is going to stay and already preparing adaptation plans to start '21, with the clear confirmation for us, again, that we are in categories, and we are driving brands that have true preference towards our consumers. We want that to continue and that makes us confident that as soon as things normalize, we will be back on our path towards the midterm guidance that we've shared with you, and we are absolutely committed to.

With that, I will finish and hand it over to Nadia and be prepared for your questions. Thank you.

QUESTIONS AND ANSWERS

Nadia Ben Salem-Nicolas - *Danone S.A. - Head of IR and Financial Communication*

Thanks, Emmanuel. We're ready to open the Q&A, for which, I'll kindly ask you to limit yourself to 2 real questions, please, in order to give a chance to everyone to ask a question.

The Q&A will start with a question from Warren Ackerman at Barclays.

Warren Lester Ackerman - *Barclays Bank PLC, Research Division - Head of European Consumer Equity Research*

Nadia, Emmanuel, Cécile, Warren here from Barclays. So 2 for me. The first one is really for Cécile. I know you're not giving any specific full year guidance, and obviously, there's huge volatility. But I mean, could you help us a bit more around the moving parts on the top line and the margins for H2? I mean, you talked about sequential top line improvement. I mean, could you tell us at least what the exit rate of Water was in June compared to April? Could you help us on margin? Just give us an idea on your views around what the ongoing COVID costs are in the second half? What's the extra spend in the second half? What do you think about mix? There's lots of different buckets there. But just to get an idea. I'm not asking for a specific number, but just to kind of some of the moving parts to think about the shape of the top line and the margin. That's the first question.

And then the second one is on Specialized Nutrition. I mean, China was flat in the quarter. I mean, we're seeing Feihe talking about up 40% in China in H1, and you're talking about Hong Kong now as an impact, obviously, with the border. Could you tell us maybe how much is Hong Kong as a percentage of your kind of China business? And what's happening to your share in Mainland China? And any kind of thoughts on the returns on that EUR 100 million spend would be really helpful because, obviously, the comps in the second half do get tougher for Spec Nutrition.

Cécile Cabanis - *Danone S.A. - Executive VP of Technology, Data, Cycles & Procurement, CFO and Director*

Thank you, Warren. Let me try to help you navigate better the outlook. Overall, several things, and maybe I enter into a bit more detail by entity. First, we think that Q2 was the lowest point. And as I said, we expect gradual improvement from that point. What we have seen in Waters, for example, was that we had the low point in May. June was an improvement. July was subsequent improvement, still double digit negative. So overall, even if we believe that the recovery pattern will closely follow the speed of return to normal from out-of-home channel, which is still with a lot of uncertainties, we are expecting, for Water, gradual improvement from the low point in May throughout the year. But we are not seeing today a return to positive before year-end. So that's what you can look at.

EDP, for the rest of the year, we expect market conditions to remain broadly unchanged with continued increased at-home consumption level, both in Europe and North America, and continued disruptions in Latin America and Africa. And we don't see, in those 2 countries, easing restrictions in the short term. So we remain vigilant to the potential effect that Emmanuel mentioned also on economic slowdown and down-trading in terms of spending patterns of consumer. But overall, and even with a very different phasing, we see H2 in the same trend as we have done in Q2.

On Specialized Nutrition, we expect here, again, the second half to confirm the underlying trends that we observed in H1. But remember that we will be against a higher base as last year, Q3 was very high, especially for China. And we will continue to experience possible quarterly swings, which will really depend on the further destocking in China. And we will comment on Hong Kong, but we believe that there will continue to be some difficulties in Hong Kong and still limited travel opportunities from and to China.

So overall, in terms of growth for the company, we expect H2 to be in the same trend as H1, but with a different phasing.

On margin. So several questions in your question. First, on the expectation of extra COVID cost. We think we will be around the same magnitude because even if you look at the slide presented by Emmanuel, the first part will not remain, which was around bonuses for employees and frontliners during the crisis, and donations. We will have the rest of the cost that we expect will remain and will be along a longer period. So overall, you should expect same level of absolute cost.

Mix will continue to be impacted, given what I described on top line. And on investment acceleration. So it will be -- part of it will be brand. Part of it will be what we announced as the EUR 2 billion plan in terms of continuing to transform the business. So it's nothing new. It's really this plan that we've put somehow on hold while focusing on business continuity during the crisis outbreak that we will now fully start implementing. And you can expect around EUR 100 million extra investment in H2.

So that's what I can say overall on the outlook, and I hope it helps. And I pass to Emmanuel on China.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Warren. So on China, I think it's difficult to compare our performance in ELN, in Early Life, with competitors. China is, as you know, about half of the total market in the world. There are 2,000 brands there. So the growth of Feihe is a fact. There's no doubt this company is on a super strong momentum for the last 18 months now. That does not mean that there is not growth potential for others.

On our side, what we can say and being cautious about the way we measure market shares, in a market that has been affected by stocking and destocking, as Cécile mentioned. But through at least what has been the stocking phase, we have seen our share in the market growing. So we improved our share. We don't know how much this will stay or not depending on what we discover about destocking. There are so many -- the depth of the distribution is such in China that again, an instant measurement is certainly not easy. Reminding that our domestic performance is very good. We continue to grow locally in MBS, expanding Tier 3, Tier 4 cities and 5. So it means, again, that there is not only Feihe there, so that's good.

Our Aptamil and most premium brand, Aptamil Platinum, has been growing double-digit over Q2 and has gained market share. So that's the essence of what I can share on that particular aspect. Hong Kong is a small part of sales in total in China, but it's a very important one. Because it's not about the local sales where our brand is the leader. So it's affected, obviously, by the Hong Kong situation and how citizens behave in society, et cetera. But it's mostly the fact that it's a door to the small parcels imports into China. And as you know, historically, it's been a big -- it's a big channel on which, given the strength of our brands are overrepresented, and that is down. It's closed, basically, because of the travel bans between Hong Kong and China and all the political difficulties.

In the -- from a channel standpoint, as I was saying, talking about mom-and-baby stores, we can share a figure of about a growth of 50%. And we have introduced rare milks at the back end of last year and early this year, which have been growing like Goat, Sheep and A2, which are growing in H1 significantly. That confirms our strategy. So what is obviously affected is the Hong Kong situation with the friends and family channel. So it's more about channel dynamics and how big has been the stocking phenomenon than the question of the competitiveness of our brand. As far as we can see now, but as Cécile said, I think we need to remain vigilant about what's happening in China because the level of visibility on the stocking, destocking is certainly not as good as we would hope.

I did not -- sorry, I did not comment on the question of the return on the EUR 100 million. I mean, given what China SN is for us, both ELN, Early Life, but also Medical Nutrition, I remind you that Medical Nutrition has been high performing in H1. We are the leader in China in that market with a local production. Strong relationship with health authorities there. It was very important that we would strengthen in the overall context our relationship with China and the Chinese centricity of what we do in SN. So it's going to be a multiyear investment in terms of return. But certainly, when it comes to the local factory that we've acquired with the recipe, it will speed up our ability to be in the market with innovation. And so we will see the start of that investment return already next year.

Warren Lester Ackerman - *Barclays Bank PLC, Research Division - Head of European Consumer Equity Research*

Just a very small follow-up. I'm a bit confused though, Emmanuel, because if MBS is up 50%, and that's 1/3 of your portfolio, and that's 15%. How do you get back to flat? I get Hong Kong's negative. But is there sell-in, sell-out issues? You mentioned destocking. Are you able to give us any color on that? Because the numbers, it's quite hard to make them stack up.

Cécile Cabanis - *Danone S.A. - Executive VP of Technology, Data, Cycles & Procurement, CFO and Director*

Warren, on your last question, remember that indirect, your question of destocking is pretty difficult to read because we are -- we do believe that the Daigous have stocked before the pandemic and during the pandemic. So it's difficult to assess the level of destocking. But indirect was negative because it was penalized both by friends and family travel bans and also some first destocking that we estimate in the Daigous. Direct sales were supported by the growth in MBS. So we had 2 different trends between indirect sales and direct sales.

Nadia Ben Salem-Nicolas - *Danone S.A. - Head of IR and Financial Communication*

Next question is from Celine Pannuti at JPMorgan. (Operator Instructions)

Celine A.H. Pannuti - *JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst*

So my first question is on -- well, I'm going to go 2 follow-up then. My first question is on Water. So you expect a gradual improvement. Can you give us a bit of color about what happened as some of the markets reopened? Because I think we also have an easy comparative normally in Q3, at least in Western Europe, given last year was difficult. So if you could give us a bit of a steer on that?

And my second question will be also a follow-up on the margins. So you mentioned for H2 like-for-like it will be like H1. What about H2 margin versus H1? Because I understand the same Covid cost, still some mix, but I would expect the mix to be a bit less given hopefully Water improving.

And then you talk about this EUR 100 million extra investment. On the other hand, can you give us a bit the other part of the equation in terms of the savings and the raw mats, so any color on whether the margin trend versus H1?

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

So Celine, I can -- thank you for your questions. I can take the first question on what I see. To remind you that Q2, when we are talking about H1 here, Q2 has really been the trough. And overall, if you look at what was open or not open, when it comes to Europe, in Water, we were nearly at 70% of the channel being closed. Latin America, 40%; Indonesia, I think, anywhere between 55% and 60% closed; China, 20%. So we are far from being in a situation where we are back to normal. I can say that June was better than May. May has really been the trough, so we see improvement in June.

In Europe, as you're pointing to, there have been significant markets in which we turned back to positive volumes overall in the recent weeks, including some of them in June. So there is no doubt that we see an improvement. But again, we are very far from operating normally with measured loss of weighted distribution in a number of our brands. Due to the channel strategy, the way we've actually chosen, as Cécile said, to weigh our investments on various channels. As she shared, we are growing on the larger formats on H1, and certainly, on Q2 in terms of jugs and above 1 liter. We are growing in hypermarkets. And this is really where we focus today our investments and our support because this is where consumption is, and it's very important to anchor the mineral water and the spring water category in the daily consumption of people.

If there is one thing which we believe versus all the questions pending for the category, as we've been discussing with you, sustainability in plastic, et cetera, to see that people that are used to drink water on-the-go also are drinking water when they are at home and -- where they could -- you could think in some of the EU geographies that are important for us, like France, U.K. and Germany that they could turn massively towards other ways. That's not what we see. We see a continued preference for our brands, and that's what we want to continue to drive.

So unfortunately, we won't be -- I'm long here, but I can say that we see already a sequential improvement. But it's too early to be anything more than qualitative in what I'm sharing here.

Cécile Cabanis - *Danone S.A. - Executive VP of Technology, Data, Cycles & Procurement, CFO and Director*

And yes, on margins, so we are not giving specific guidance, but maybe I can try to help again with the moving parts on the different elements. So first, on scope, you will not see the positive effect that you had in H1 because of the timing of the disposal on Earthbound. You asked about inflation in COGS. We do not see easing in inflation in COGS, maybe except slightly on the milk in Europe. But for example, on plastic, as you know, we are hedged for the most part of the year, and there are other inflations locally in some markets. So overall, we do expect the same pattern of inflation in H2 that we had in H1 on the COGS. I talked about the extra cost of COVID, so you have that.

In terms of negative channel and product format mix, let's say, it will really depend on the rhythm of the lockdown ease and what we can see about stop and go, so we have different scenario. There could be a base scenario where it's improving, but it will really depend on governmental decision and measures on the pace at which the situation will normalize. So we need to stay very vigilant on that.

Increased investment, I mentioned, and it's really on our transformation plan that we presented at the beginning of the year. On currencies, we will probably have a positive impact in H2, a bit less material than in H1. So overall, as I said, we expect the margin to remain under pressure in H2. Our expectation today that probably we will be close to H1 margin.

Nadia Ben Salem-Nicolas - *Danone S.A. - Head of IR and Financial Communication*

Next question is from Alan Erskine at Crédit Suisse.

Alan Erskine - *Crédit Suisse AG, Research Division - Research Analyst*

Just a couple of quick questions for me. The first one, I didn't quite catch. Did you give the performance of Mizone in Q2? And if not, could you let us know how that brand performed?

Secondly, slightly conceptually. I mean, do you think the negative mix effect is simply to do with the shift in channels and that when things normalize, that will quickly flip back? Or do we think, particularly with the potential for down-trading and recession, that some of these shifts may actually be more structural that people are going to move to larger formats because they realize that they're better value? So that's a conceptual question.

And then a third, just a follow-up, is just on U.S. Plant-based. I mean, when I look at sort of the market data, it looks like the growth is coming in the oat-based products from smaller players who seem to be taking share from Silk. And I just wondered, is -- given the strength of the Silk brand, given, I think, back in the investor seminar in October, you talked about launching an oats-based product. What has happened there that meant that you didn't quite catch that trend?

Cécile Cabanis - *Danone S.A. - Executive VP of Technology, Data, Cycles & Procurement, CFO and Director*

Thank you. So one word on Mizone performance. What we've seen in Q2 is that the performance sequentially improved. But compared to the first quarter where sales, if you remember, were down 40%, so we remain very significantly negative, around minus 25% in Q2. So that's for Mizone. And as you know, the high season is probably behind us. So this is the pattern that we have.

On the mix, I think different points of answers. What we have seen in the performance is really directly the consequence of channel and format shift that is linked to governmental measures, close down and lockdowns. So that's really what we observed.

Now what we've said is that we expect to still be in a phase where it's really in the next 3, 4 months that we will learn what's going to stick and what was really contextual and will just fade away. Also, we start to have learnings, for example, on e-commerce, and that's why we are going to accelerate even more on e-commerce.

And linked to your question, e-commerce, for us, is relutive to the growth equation. So it's an important channel where we need to double down. And I think it's too early to say what will stick or not. But in terms of what we observe is today fully linked to the context and the implementation of local measures, both on proximity stores, out-of-home channels. So I think we need to continue to monitor that the way we've done it. And we will be able to come with a more structural observation at the end of Q3.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Cécile. One of the aspects, maybe of the added aspects for us in the mix is obviously the mix of countries that in some categories, in particular, for Water, is playing a negative role, not so much in terms of sales, but in terms of margin. But yes, absolutely, you're -- it's not -- I mean, conceptually, the one thing I would add is that I've been public on the fact that if there is one thing that we strongly believe is that there will be a polarization of the market. There won't be a middle class anymore in a way. Some of that middle class is going to go down and have to make trade-offs and therefore, down-trading and how much do we want to play part of that game or not and how and which -- in which case, we already have brands there. Otherwise, we need to develop or reshape.

And on the other side, up-trading because many people are going to be very demanding on health and quality and food, and the relationship between food and health has never been as clear now for this generation through the COVID crisis as well. So this whole question of down- versus up-trading is there in front of us, and we want to use the next several months of delocking to understand, again, where are the opportunities for us. So thanks for the question.

In terms of the U.S. Plant-based, overall, as I said, there is no category in which the ex-WhiteWave legacy businesses are not growing 10%. So that's the case for plant-based beverage in the U.S. We are growing 10% on H1. The category is actually growing faster than this. As you remember, there are 3 basically constituencies in this. One is the soy segment on which had been the historical segment. I'd like to share some good news there, which is, for the first time, we are seeing the penetration of soy in the U.S. starting to go back from a low end, of course, after 15 years or 10 years of decline. And our market share has improved in soy. So we're positive in soy. And that's, for us, being a leader with more than 70% market share in the segment, it's an essential part. We are aided there by superb execution in terms of support and advertising with our long-term ambassador, Michael Phelps, but also more now Aly Raisman, in particular, with whom we've started support. So soy is not back. You remember a presentation by us about, sorry, will be back. It's a sleeping beauty, but the beauty is being awakened right now, big news for us.

The big part of the segment is the other ingredients, including almond, on which we are doing a good job and growing together with the category and improving, actually, in terms of even market share. The fastest-growing still smaller one is oat, as you mentioned, in which there are several players in and out, and there will continue to be. We had a couple of supply issues in the first half of the year, which are being addressed. And as you rightly say, we have launched a recent innovation, which make us hopeful that you will see some share stabilization sequentially in Q3 and Q4 in the overall plant-based beverage segment for us in the U.S.

Nadia Ben Salem-Nicolas - *Danone S.A. - Head of IR and Financial Communication*

Thank you very much. Next question is from John Ennis at Goldman Sachs.

John Mark Ennis - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

A couple from me, please. The first is on your market share performance in EDP. I think you stated on the call that you are gaining share in 50% of your portfolio. I just wanted to check that this was a global EDP number or whether it was meant for Europe?

And then in the slides, you highlight where you're gaining market share, so in the U.K., Spain and France. But I wondered where the share declines are coming from to offset that? And effectively, what's driving the difference between those regions?

And then my second question is very quickly on the Waters business. I guess, how are you thinking about that more strategically going forward? Of course, your peer is exiting some regional brands. Do you think your Waters portfolio needs pruning as well? Or are you happy with where the portfolio is medium term? They are the 2 for me, please.

Cécile Cabanis - *Danone S.A. - Executive VP of Technology, Data, Cycles & Procurement, CFO and Director*

Thank you, John. I'll take the first one. It might have been mentioned that it was on the EDP chart, but the comment was on total company portfolio. What we have gained is overall for the company on all entities together, market share gain on 50% of the revenues.

And overall, on top of what I said, we've been winning shares in Mexico and Brazil and EDP International. We've been -- we've been gaining share. So dairy, I mentioned France, Spain, U.K., we've been gaining share. I think I mentioned on the call on coffee creamers and organic milk in the U.S. ELN China, ELN and Water Indonesia and some other market and category that I'm sure you can follow-up with the team.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Just to add some color on this. As Cécile said, we are also pleased with the fact that CIS is stabilizing. We are not yet where we would be. And if you look at the whole sequence of H1, we've continued to lose a bit of share on -- in CIS, which is a significant part of our portfolio. But again, really improving from the earlier trends that Cécile was mentioning about last year. So that's one, I think, key geography in which we are not yet gaining share, but certainly improving the situation.

Cécile also mentioned the U.S. The share gain is quite impressive across North America, for Danone North America now in all categories, except yogurt, where we are over-represented at Walmart. And Walmart is not growing as fast as others, as you know. They've been very serious in terms of social distancing, their employees' working hours, et cetera. So we are -- with that, we are catching up, but we are not there yet in terms of market share, although yogurt is growing, obviously, but not winning share.

And the second one is the one I just mentioned to Alan's questions about Plant-based. But Horizon Organic, which, for instance, Cécile mentioned, the category is growing 10%, we are growing 20%, and we have half of the category. It just tells you how big that share gain can be. And that's true for Coffee Creamers. It's, as Cécile said, for ID, International Delight, and for a number of other categories in Noram. So certainly pleased about what's happening in EDP right now in terms of the competitiveness of our brands.

On the Water business, I'll be reasonably quick. I think, at this stage, the one thing we can say is, and again, that we are not seeing anything during that period of time that would allow us to believe that there is a strategic issue beyond what we have already shared and the way to address the strategic issue in the category for bottled water. We continue to believe that there is not one -- put it this way, no significant player in the category globally has the same pattern of portfolio. As you know already, 60% of our volumes outside of Europe is already in big formats and jugs. Which are -- do not -- which are certainly a big driver within the COVID world. We know where we need to address the plastic topic and how to address it. I mentioned that briefly, in particular, for the EU 3 and some kind of the U.S., but it's mostly the EU 3 top markets for us. And I shared a few topics about this. and again, back to volume growth in those markets for water in June, which I think is a solid point to start with, in a way.

The -- so again, I think if you look at Nestlé, you look at Coke and Pepsi, everyone has a different portfolio. We do have very specific geographies that they don't, and they have ones that we don't in many ways. And I really believe -- we really believe that the business models for Water are local business models. They're anchored in the tradition of mineral water or not the tradition, the way plain water works, whether it's a table water or on-the-go, whether it's seasonal or not seasonal. The -- so each market, I think is -- has to be looked at on its own merits. And we, of course, apply the global expertise in a way that allows our brands to win in those markets in an unparalleled manner. So with that, I think we continue to believe that water is at the core of a healthy hydration with a natural spring water source is still going to be absolutely relevant for the world of tomorrow and where people and consumers will be probably even more than it was before.

Having said that, Water, as the rest of the portfolio, will be looked at in terms of the -- what I shared about what kind of brands, what kind of products, channels do we want to be in countries, reviewing the whole portfolio in terms of where do we want to put our efforts once we adapt ourselves. And adaptations will be, again, about portfolio, about ways of working and efficiency, about supply chain efficiency and digital, as we shared already. So Water will be part of that review.

Nadia Ben Salem-Nicolas - *Danone S.A. - Head of IR and Financial Communication*

Thanks, John. I think we have time for 1 or 2 other questions. Next question is from David Hayes from Societe Generale.

So okay, maybe he'll be back in the queue. So then moving to the next one, Richard Taylor at Morgan Stanley. I don't know if we're online?

Richard Taylor - *Morgan Stanley, Research Division - Equity Analyst*

I'd like to ask more about Entreprise à Mission. I will keep it to 2 questions. I'd like to ask more about Entreprise à Mission and what that means to shareholders. I know this is a subject that's very important to you personally. So 2 real questions. How is measuring performance, accountability and rewards changing as part of that status change?

And then secondly, the stock is back to where it was now in 2015, and I think the underperformance of the shares goes back quite a lot further than that. So looking forward with the status change in mind but thinking about shareholders again on, say, a 5-year view, what will success look like in your view, please?

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Richard. I guess I'll take this one. The Entreprise à Mission is basically a way for us to install a visible governance of the key objectives of the company, which are the drivers of our business when we stated objectives on impacting health locally; on preserving the resources of the planet that we are using; on embarking our people in building the future of the company; on being inclusive on our growth. I think if you look at these 4 objectives, close your eyes for a moment and then open a newspaper, you can see how relevant they are to be as an organization and pursuing those goals in terms of how this organization can drive preference, whether that's about customers, consumers, suppliers, of course, employees and possibly, much bigger stakeholders that are going to be health authorities, governments, et cetera.

So that is, in a way, for us to rationalize the dual economic and social project that's been there for 50 years at Danone. And to make it more rational, more credible, more KPI-ed, more processed, in a way, where we can report and actually, an independent committee will report to shareholders about our progress on this. And we've done that because we believe, I strongly believe that it builds a competitive advantage.

As you know, ESG is a growing part of the way we also get financing. You remember this syndicated banking loan that we have that is indexed in terms of its margin on our ESG metrics. We have already had discussions around the EAM, the Entreprise à Mission story, with a number of constituencies of what impacts our P&L that might be positively affected. So we see that as a way to long term increase our alpha and decrease our beta. It's basically as simple as that. In a moment of history, where business, I think, should better look at just in case and not only at just in time. And the mix of both is going to be supporting the long-time motto for the current team at Danone, which is to create lasting value, sustainable value for all. And that means we are very clear, that means strong, sustainable, profitable growth for our shareholders.

I've been questioned about this for a long time, and I will repeat what I've said. We will not prove our model right until we see that in the share price. And we're confident that we'll see it in the share price because of what I said before. So it's not a matter of contradicting the creation -- the value creation. It's really about the way we create that value in the short, mid and long term.

Nadia Ben Salem-Nicolas - *Danone S.A. - Head of IR and Financial Communication*

Thank you, Emmanuel. It's 10:30, we have to stop the call there. So thanks very much for attendance today for -- during this very busy day, as I said. And I'm here with the rest of the team to follow-up the rest of the day.

Thanks a lot, everyone, and talk soon. Bye-bye.

Cécile Cabanis - *Danone S.A. - Executive VP of Technology, Data, Cycles & Procurement, CFO and Director*

Thank you. Bye.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you. Bye-bye. Stay safe.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for participating. You may now all disconnect. Thank you.
