



**DANONE**  
ONE PLANET. ONE HEALTH

## Q3 2020 SALES

A new world:

Deliver. Reshape. Review. Adapt.

October 19<sup>th</sup>, 2020

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- *This presentation contains certain forward-looking statements concerning Danone. In some cases, you can identify these forward-looking statements by forward-looking words, such as “estimate”, “expect”, “anticipate”, “project”, “plan”, “intend”, “objective”, “believe”, “forecast”, “guidance”, “outlook”, “foresee”, “likely”, “may”, “should”, “goal”, “target”, “might”, “will”, “could”, “predict”, “continue”, “convinced” and “confident,” the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to, predictions of future activities, operations, direction, performance and results of Danone.*
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- *All references in this presentation to Like-for-like (LFL) changes, recurring operating income, recurring operating margin and free cash flow (FCF) correspond to financial indicators not defined in IFRS. Please refer to the Q3 2020 sales press release issued on October 19, 2020 for further details on IAS29 (Financial reporting in hyperinflationary economies), the definitions and reconciliation with financial statements of financial indicators not defined in IFRS..*
- *Due to rounding, the sum of values presented in this presentation may differ from totals as reported. Such differences are not material.*

## CEO introduction

### What you will hear from us today

- Confirmation of sequential improvement of sales growth in H2
- Restored full-year guidance: 14% recurring operating margin and €1.8bn free cash flow
- Reshaping organization for the future
- Update on our adaptation plans to the new COVID-world
- Launch of a full strategic portfolio review for accelerated return to profitable growth

## Where we are today

# Addressing simultaneously delivery, transformation, and portfolio value creation



### Q3 : as expected

- Sequential improvement in Q3
- Further acceleration of EDP
- Sustained delivery of efficiencies

### Q4 : focus on delivery

- Keep market share momentum
- Secure expected levels of margin and cash

### Q1 and beyond

- Implement our adaptation plans for a new COVID-world to reconnect asap with our mid-term objective of profitable sales growth

# The world has changed, and we need to adapt

## What we learned from the last 9 months and how we're responding



Local empowerment is king



Need for extreme supply chain /customer service agility at competitive cost



Consumer-centric growth within and beyond categories



Structural channel shifts



The power of trusted brands with strong heritage and local relevance



## Reshaping the organization



## Optimized execution



## Portfolio strategic review

# Reconnecting as fast as possible with our 3-5% profitable growth agenda

## Three big decisions

### Reshaping the organization



### Optimized execution



### Portfolio review

#### Fitter and more agile to best serve strategy & execution

- Two macro-regional CEOs
- One COO in charge of new end-to-end design to delivery function

#### Significant opportunities for growth acceleration and efficiencies identified from Q1 next year

- Accelerated finalization of detailed plans
- Countries empowered for speed and relevance
- Delaying of the pyramid to simplify ways of working

#### Strategic review to accelerate return to profitable growth

- Includes full brands, SKUs and assets review
- Starts with a review of Argentina & Vega brand as immediate step
- Other assets will be reviewed



# Reshaping the organization

## Fitter and more agile to best serve strategy & execution

Jan-2020



Effective Nov-2020



Emmanuel FABER  
Chairman and CEO

2 macro-regional CEOs

2 global functions

Internal CFO replacement

Véronique  
PENCHIENATI-  
BOSETTA

Shane  
GRANT

Henri  
BRUXELLES

Nigyar  
MAKHMUDOVA

Cécile  
CABANIS  
*(until Feb-21)*

Juergen  
ESSER  
*(as of Feb-21)*

Bertrand  
AUSTRUY



**CEO  
Danone  
International**  
(~80% of sales)

**CEO  
Danone  
North America**  
(~20% of sales)

**Chief Operating  
Officer**  
End-to-end  
Design to Delivery

**Chief Growth  
Officer**  
Growth Strategy  
& Capabilities

**Chief Financial  
Officer**  
Finance, Tech  
and Data

**Chief Financial  
Officer**  
Finance, Tech  
and Data

**Chief Human  
Resources Officer**  
General  
Secretary

## Next 12 weeks

### Focus on delivery

- Q4 sales to confirm improving albeit slower trend
- Keep market share momentum
- Efficiency actions and cost control measures in place
- Secure expected level of margin (14%) and free cash flow (€1.8bn)

### Finalize adaptation plans

### Progress strategic review agenda



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Q3 2020

# Financial Review

Cécile Cabanis  
CFO



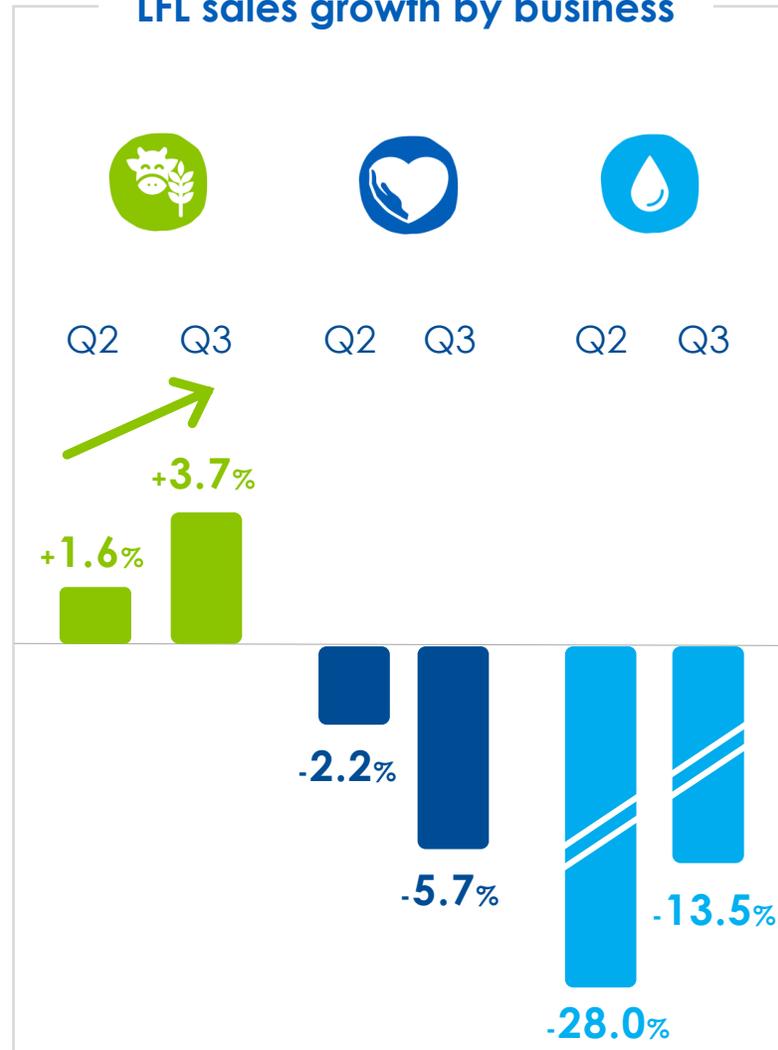
# Sequential improvement in Q3 as expected

## EDP now delivering >+3% growth

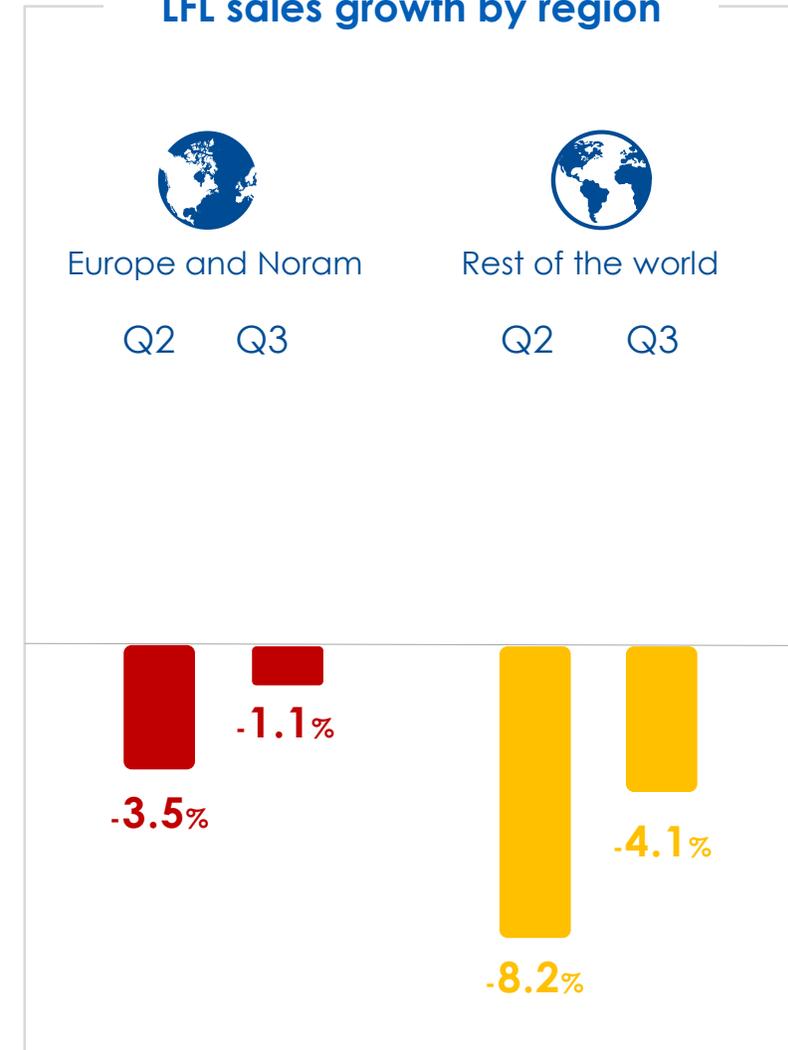
Quarterly LFL sales growth



LFL sales growth by business



LFL sales growth by region



# Channel dynamics continue to impact Q3 performance

## Marked variations across portfolio



### Tailwinds

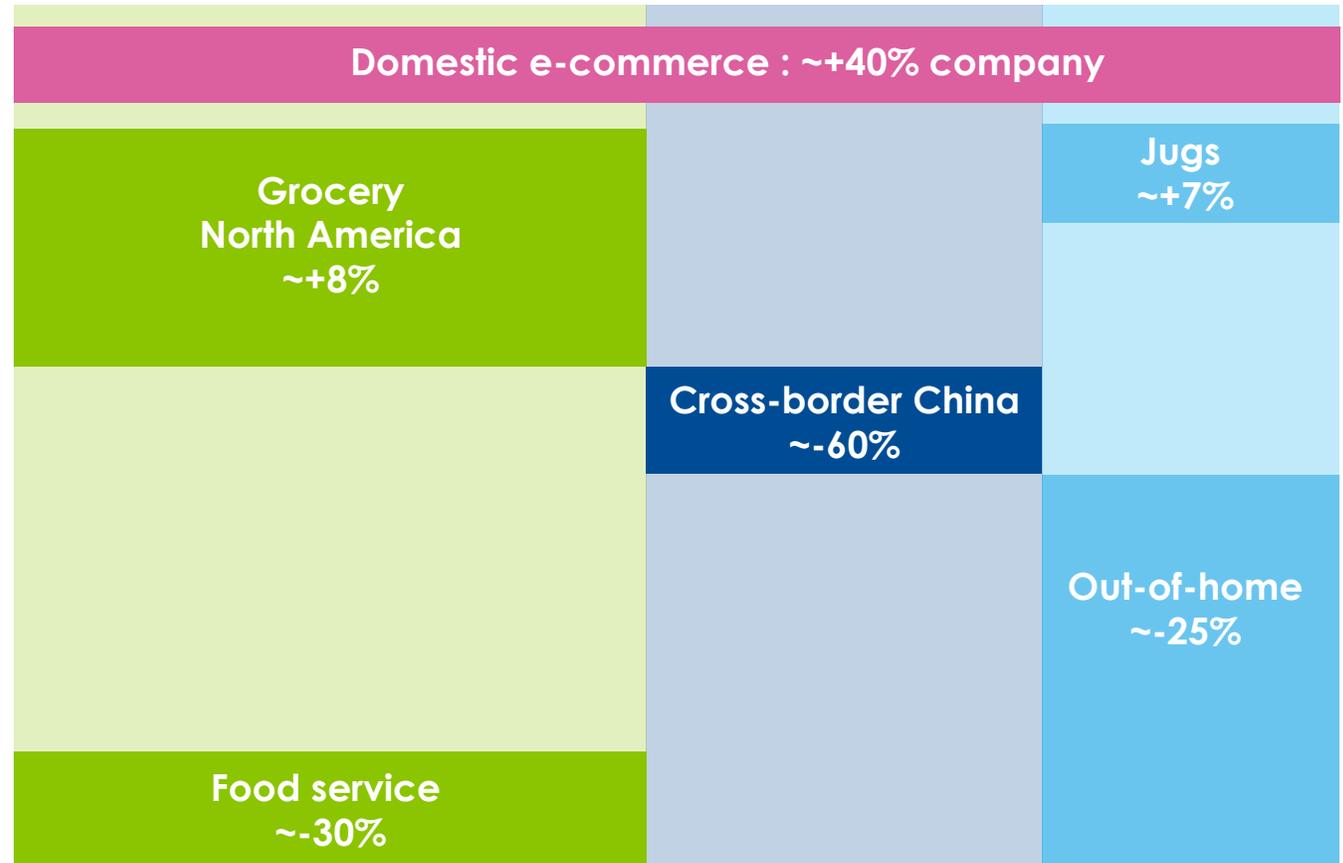
Sustained at-home consumption

Booming domestic e-commerce

### Headwinds

Gradual reopening not yet normalized out-of-home

Cross-border still steeply impacting SN performance



## Competing effectively

Market share gains through largest brands in their core markets

ACTIVIA



alpro

evian

Actimel



Aptamil

Volvic

Danette



Font Vella

DANONE



milupa

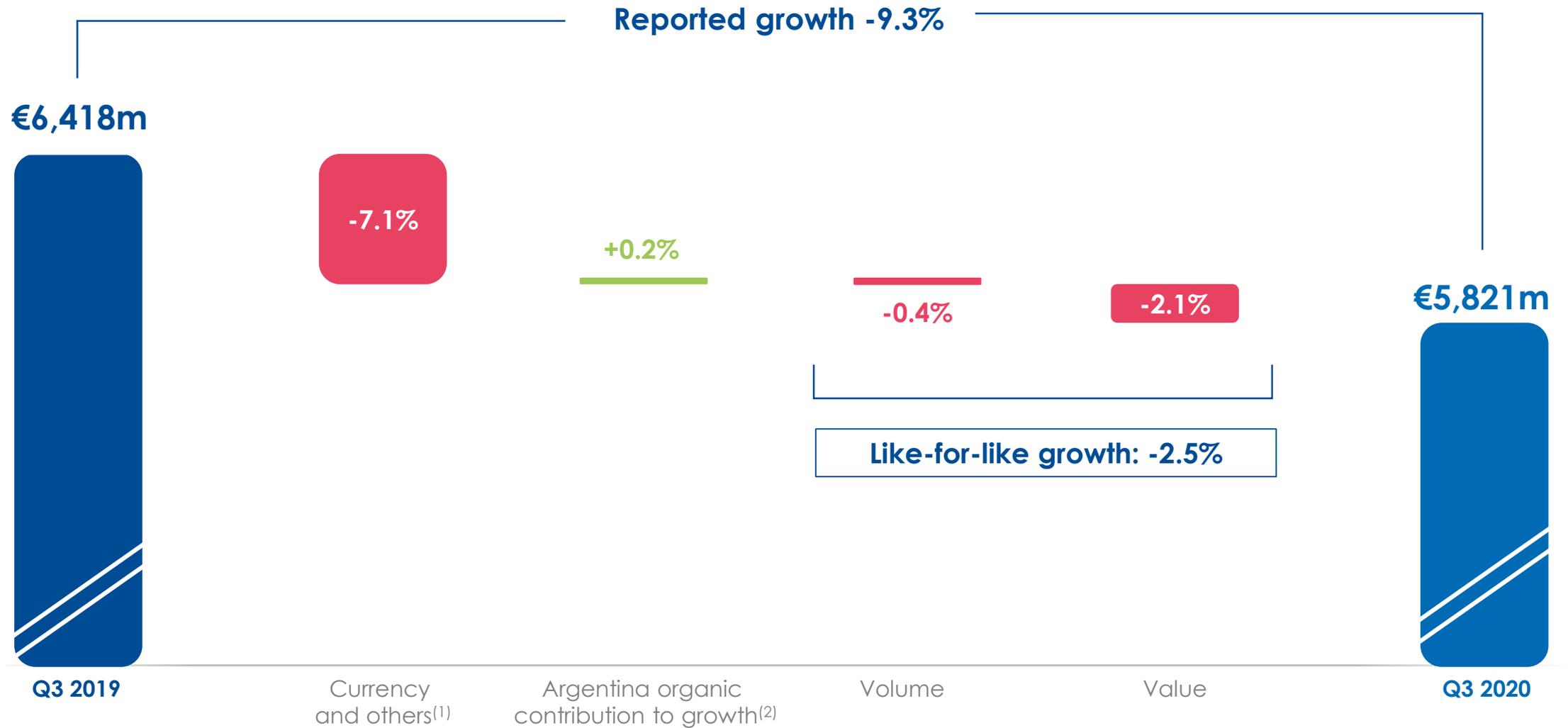


~+100bps market share gain on average since beginning of the year for winning brands

Source: Retail audits from January to most recent available data (Nielsen, IRI)

# Q3 2020 sales bridge

## Reported sales growth impacted by change in currencies



(1) Including IAS 29; (2) Since January 2019, all like-for-like data exclude the contribution of Argentinian entities



# Essential Dairy & Plant-based: +3.7% in Q3

## Significant acceleration in Q3

### Q3 and 9M key figures

|                             | Q3 2020        | 9M 2020        |
|-----------------------------|----------------|----------------|
| <b>Sales</b>                | <b>3,108m€</b> | <b>9,699m€</b> |
| <b>Like-for-like change</b> | <b>+3.7%</b>   | <b>+3.3%</b>   |
| Volume                      | +4.0%          | +2.8%          |
| Value                       | -0.3%          | +0.5%          |

### Quarterly LFL sales growth



Like-for-like sales growth excluding Argentina

### Plant-based growing at high teens

- 3<sup>rd</sup> consecutive quarter of double-digit growth

### Continued mid-single-digit momentum in Europe and North America

- Further market share gains in Dairy Europe
- Strong plant-based and organic milk category fundamentals in North America
- US yogurt and Coffee creamers still penalized by away-from-home slow reopening
- *Silk, So Delicious, Horizon, Actimel* and *Alpro* brands growing at double-digit rate

### Rest of the world back to solid growth

- Return to solid growth in CIS led by traditional dairy under *Prostokvashino* brand
- Continued pressure in Mexico and Africa



# Specialized Nutrition: -5.7% in Q3

## Sharp contraction of cross-border channels in China

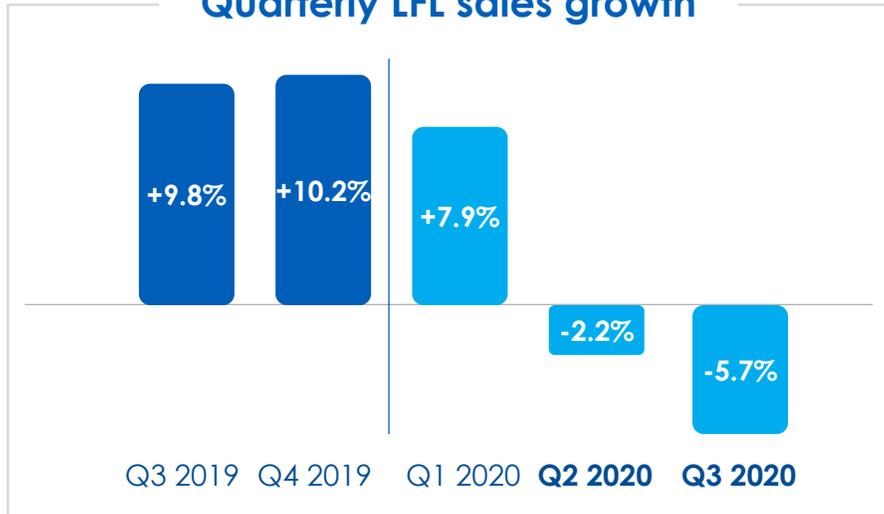
### Q3 and 9M key figures

|                             | Q3 2020        | 9M 2020        |
|-----------------------------|----------------|----------------|
| <b>Sales</b>                | <b>1,698m€</b> | <b>5,441m€</b> |
| <b>Like-for-like change</b> | <b>-5.7%</b>   | <b>-0.2%</b>   |
| Volume                      | -2.9%          | -0.4%          |
| Value                       | -2.9%          | +0.3%          |

### China: steep double-digit decline on a high base

- Sharp contraction of cross-border channels (~-60%): continuous border closure with Europe, Honk-Kong and Oceania; collapse of friends and family; contraction of *daigous* channels
- Domestic channels : *Aptamil* growing market share in e-commerce and Mum & Baby stores
- Further destocking following H1 pantry-loading affecting all channels

### Quarterly LFL sales growth



### Europe: mid-single digit sales decline

- Medical sales penalized by lower hospital activity
- Soft Infant Milk Formula category dynamics
- Solid market share gains in key countries (UK, Poland, Netherlands)

### Momentum maintained in South East Asia, Middle East and Americas

- Significant share gains on both infant and adult categories
- Strong acceleration of e-business and successful innovations

Like-for-like sales growth excluding Argentina

# Waters: -13.5% in Q3

## Sequential improvement in Europe and China amid uncertain re-opening

### Q3 and 9M key figures

|                             | Q3 2020        | 9M 2020        |
|-----------------------------|----------------|----------------|
| <b>Sales</b>                | <b>1,015m€</b> | <b>2,864m€</b> |
| <b>Like-for-like change</b> | <b>-13.5%</b>  | <b>-17.1%</b>  |
| Volume                      | -8.1%          | -7.3%          |
| Value                       | -5.4%          | -9.9%          |

**Business still heavily impacted by low mobility index vs pre-COVID levels**

### Europe: sequential improvement (~-10% vs -24% in Q2)

- Improvement of out-of-home consumption despite uncertainties in September
- Market share gains in France, UK and Germany

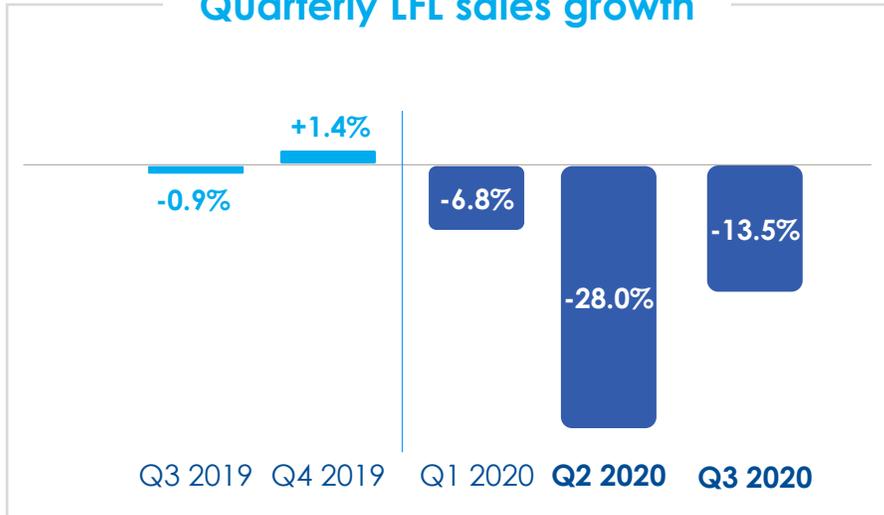
### China: further improvement (~-10% vs -25% in Q2)

- Continued improvement of Mizone despite out-of-home demand remaining soft
- Progressive recovery confirmed by market share gains since Q1 trough
- Positive feedbacks from consumers on new proposition

### Latin America and Indonesia: steep double-digit decline in line with Q2

- Growth and mix still penalized by on-the-go formats and Aquadrinks
- Continued momentum for jugs supported by at-home consumption
- Market share gains in Mexico and Indonesia

### Quarterly LFL sales growth



Like-for-like sales growth excluding Argentina

# Continued efficiencies and disciplined capital allocation

## Permanently reshaping the cost and asset base

### Efficiencies



PROGRAM  
PROTEIN

€1BN

gross savings target  
for 2018-2020  
exceeded

### Active portfolio management



€470M

proceeds from  
full exit from  
Yakult

## Q4 and full-year outlook

### Q4

**Sales growth to confirm sequential albeit slower improvement**

- Low visibility on pace of recovery of out of home consumption and proxy channels
- Continued headwind from cross-border channels on ELN China

### Full-year

**Recurring operating margin  
14%**

**Free cash flow  
€1.8bn**

Efficiency actions and cost control in place

## CEO conclusion

### Next 12 weeks

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#### Finalize adaptation plans

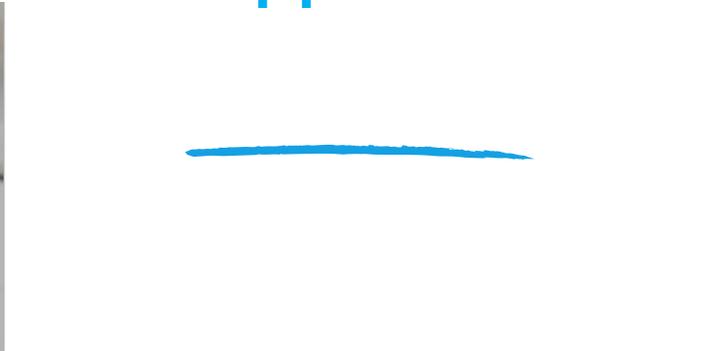
#### Progress strategic review agenda



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## Appendix



# New end-to-end connected design-to-delivery global function

## A critical transformation enabler

Research



Innovation



Procurement



Manufacturing



Supply Chain



- Unlocked value creation across an integrated value chain
- Enabler of growth and cost synergies, cross-categories
- Global expertise and support serving local country strategies

**Better serve people needs anytime and anywhere in a cost efficient way**

## Q3 2020 highlights

### Environment driving further sales growth polarization across businesses and regions

By reporting entity

By geographical area

|                      | <br>Company | <br>Essential Dairy & Plant-based | <br>Specialized Nutrition | <br>Waters | <br>Europe & Noram | <br>Rest of the World |
|----------------------|--|--|--|---|---|--|
| Q3 net sales         | €5,821m  | €3,108m  | €1,698m  | €1,015m   | €3,334m   | €2,486m  |
| Like-for-like growth | -2.5%  | +3.7%  | -5.7%  | -13.5%  | -1.1%   | -4.1%  |
| Volume               | -0.4%  | +4.0%  | -2.9%  | -8.1%   | +1.3%   | -2.0%  |
| Value                | -2.1%  | -0.3%  | -2.9%  | -5.4%   | -2.4%   | -2.2%  |

## Q3 2020 impact of currencies & scope

**Q3 2020**



**Essential Dairy  
& Plant-based**

**+3.7%**

**+0.4%**

**-8.3%**

**+0.1%**

**+0.0%**

**-4.1%**



**Specialized  
Nutrition**

**-5.7%**

**+0.3%**

**-5.9%**

**-0.2%**

**-0.0%**

**-11.6%**



**Waters**

**-13.5%**

**-0.4%**

**-6.0%**

**+0.2%**

**+0.3%**

**-19.3%**



**Company**

**-2.5%**

**+0.2%**

**-7.1%**

**+0.0%**

**+0.0%**

**-9.3%**

**Like-for-like sales growth**

Argentina organic contribution  
to growth

Currency and others<sup>(1)</sup>

IAS 29 impact

Scope

**Reported sales growth**

## Q3 2020 sales by reporting entity and by geographical area

|  | <br><b>Essential Dairy<br/>&amp; Plant-based</b> | <br><b>Specialized<br/>Nutrition</b> | <br><b>Waters</b> | <br><b>Company</b> |
|--|--|---|--|---|
| <br><b>Europe and Noram</b><br>Sales<br><i>LFL growth</i>  | €2,169m<br>+3.6%   | €704m<br>-7.7%  | €460m<br>-11.1%  | €3,334m<br>-1.1%  |
| <br><b>Rest of the world</b><br>Sales<br><i>LFL growth</i> | €939m<br>+4.0%   | €994m<br>-4.4%  | €554m<br>-15.2%  | €2,486m<br>-4.1%  |
| <br><b>Company</b><br>Sales<br><i>LFL growth</i>         | €3,108m<br>+3.7%   | €1,698m<br>-5.7%  | €1,015m<br>-13.5%  | €5,821m<br>-2.5%  |

## Changes in exchange rates

|   | % total Q3 2020 | Q3 20 vs Q3 19 (avg) |
|---|-----------------|----------------------|
|  <b>United States</b> Dollar | 21.6%           | -5.1%                |
|  <b>Chinese</b> Renminbi     | 7.7%            | -3.7%                |
|  <b>Russian</b> Ruble        | 5.7%            | -17.3%               |
|  <b>Indonesian</b> Rupiah    | 5.6%            | -8.4%                |
|  <b>British</b> Pound        | 5.3%            | -0.3%                |
|  <b>Mexican</b> Peso         | 3.6%            | -16.6%               |
|  <b>Brazilian</b> Real       | 2.4%            | -30.2%               |
|  <b>Hong Kong</b> Dollar     | 1.9%            | -4.3%                |
|  <b>Polish</b> Zloty         | 2.6%            | -2.8%                |
|  <b>Argentine</b> Peso       | 1.5%            | -34.9%               |
|  <b>Canadian</b> Dollar     | 2.3%            | -5.8%                |
|  <b>Australian</b> Dollar  | 1.0%            | -0.7%                |
|  <b>Turkish</b> Lira       | 1.9%            | -25.8%               |
|  <b>Moroccan</b> Dirham    | 1.8%            | -1.9%                |