



DANONE Q1 2025 SALES CONFERENCE CALL TRANSCRIPT

April 23, 2025 – 08:15 AM CEST

COMPANY SPEAKERS

Juergen Esser

Deputy Chief Executive Officer & Chief Financial Officer

Mathilde Rodié

Head of Investor Relations and Financial Communication

OTHER PARTICIPANTS

Victoria Petrova

Analyst at Bank of America

Guillaume Delmas

Analyst at UBS

Jon Cox

Analyst at Kepler Cheuvreux

Céline Pannuti

Analyst at JP Morgan

Warren Ackerman

Analyst at Barclays

Tom Sykes

Analyst at Deutsche Bank

David Roux

Analyst at Morgan Stanley

PRESENTATION

Mathilde Rodié, Head of IR

Good morning, everyone. Thank you for being with us this morning for our Q1 sales Call. I'm with Juergen Esser, our CFO, who will go through some prepared remarks before taking your questions. And before we start, I would like to draw your attention to our disclaimer on Page 19 related to forward-looking statements and the definition of financial indicators that we will refer to during the presentation. And with that, let me hand over to Juergen.

Juergen Esser, Chief Financial Officer

Thank you, Mathilde. And good morning and a very warm welcome to everyone on the call. I hope you are well. And thank you for being with us this morning to discuss our Q1 '25 results. I propose that we go straight into it, starting with Page number 2.

SLIDE 2 – STRONG START TO THE YEAR; DEMONSTRATING THE RELEVANCE OF OUR HEALTH-FOCUSED PORTFOLIO

As highlighted in our press release, we are pleased to report a strong start to the year with another quarter of quality growth, with like-for-like sales up +4.3%. Our consistent performance at or above 4% for some time now underscores the strength of our execution and the relevance of our health-focused portfolio. This portfolio offers us growth opportunities consistently above the average of the food and beverage sector, fostering resilience despite these uncertain times.

In Q1, we saw solid contributions from both volume/mix, at +1.9%; as well as from price, at +2.4%. We are happy to report that the underlying demand trends remained unchanged and strong versus previous quarters.

The more balanced composition between volume/mix and price in this first quarter is the result of some mechanical effects, including the impact of the leap year. Overall, the strong start to the year is evident across all our regions, showcasing the robust foundations we have established within our company over recent years.

Let's look at the regional summary in more detail on slide number 3.

SLIDE 3 – BROAD-BASED GROWTH ACROSS GEOGRAPHIES

In this first quarter, all regions contributed again positively to our performance, a broad-based growth trend we have seen now since some time and which we are proud of. We will go into the regions in more detail soon, but I would like to call out the continued progress we are making in Europe, particularly in functional dairy; the winning momentum of our High Protein

platform in North America; and the very strong competitive and volume-led growth in China, North Asia and Oceania.

Our emerging market platforms in Latin America and Africa, Middle East, Asia are also delivering solid growth, increasingly driven by our Specialized Nutrition business and particularly our Aptamil platform which is going from strength to strength. Resilience during these volatile times is key, and our geographic diversification is helping us to deliver on it quarter after quarter. This is particularly true with our business model which combines the power and scale of a global presence together with a highly localized supply chain and production network.

Let's move on to slide number 4 to review the performance by category.

SLIDE 4 – LEVERAGING PRODUCT SUPERIORITY AND DIFFERENTIATION

Our like-for-like sales growth continues to be supported by positive volume/mix dynamics across all categories, and this is a clear testament to our strategic focus on key platforms.

The business cells illustrated here are all running at high speed, thanks to the investments we have made in product superiority, differentiation and innovation. In Essential Dairy and Plant-based, we delivered +3.7% like-for-like sales growth, including +1.5% volume/mix. We see continued strong momentum in high-protein dairy products, which start to be amplified by the Activia kefir ranges, which are well received by retailers and customers across Europe. The HiPRO brand is also again posting significant growth, particularly our more functional beverage propositions as well as plant-based yogurts. In Specialized Nutrition, we grew +5.3%, with volume/mix at +3.1% and all channels, regions and segments are contributing to this growth. Our Aptamil brand is again posting very strong growth, with increasing contributions from the Essensis platform in China. In Medical Nutrition, the demand remains very high; worth noting that our more recent product additions like our plant-based enteral tube feeding as well as our oral nutrition offers are growing very fast, getting us in a strong position to capture the growth this exciting category is offering.

And despite the slow start in some emerging countries due to poor weather conditions, the Waters category remains dynamic ahead of the season with like-for-like sales growth of +4.1% and volume/mix of +1%. Growth was driven particularly by the Mizone brand in China, which continues to expand its market presence; as well as by the evian and Volvic brands.

These results highlight the effectiveness of our strategic investments and the robustness of our growth model. Our diversified channel footprint becomes here also increasingly a competitive edge, well illustrated on the next page, Page number 5.

SLIDE 5– OUR DIVERSE CHANNEL FOOTPRINT IS PROVIDING US RESILIENCE

Building on what we discussed during our full year results, we continue to see over-proportional sales growth coming from channels outside of mass retail, growing 2 times to 3 times faster than our legacy retail channel.

In Q1, we achieved high single-digit growth in several of these strategic channels, reflecting our investments into dedicated sales force, distribution partnerships and digital capabilities. In the away-from-home segment, traditionally driven by our Waters business, we are increasingly developing EDP formats such as drinkable yogurts to encourage on-the-go consumption.

In pharmacies, hospitals and homecare settings, our Specialized Nutrition business reaches more and more consumers and patients, delivering often life-saving nutrition. And finally, in e-commerce, we continued to enhance our digital execution and distribution, particularly in China, with our infant milk formulas. While mass retail remains a very important distribution channel for us, this continued diversification of channels provides us not only with more resilience but also with access to new consumers and new occasions.

After those opening remarks, let's now turn to our traditional sales bridge on slide number 6.

SLIDE 6 – Q1 SALES BRIDGE

As previously mentioned, like-for-like sales increased by +4.3% during Q1, with a volume/mix contribution of +1.9% and pricing of +2.4%.

Outside of the like-for-like figures, we experienced a 0.5% negative impact from currency fluctuations, hyperinflation and other factors, mainly due to the devaluation of emerging market currencies against the euro. The scope effect remained negative at 3%. Q1 is actually the last quarter before we annualize the disposal of the Horizon Organic business. Overall, this resulted in net sales for Q1 of more than EUR6.8 billion, up 0.8% on a reported basis. Moving forward, we want to grow our company in relative and absolute terms, a critical step towards becoming a consistent value compounder.

Let's now move on to slide number 7 to look in more detail at our geographies.

SLIDE 7 – EUROPE

In Europe, we achieved +2% like-for-like sales growth in this first quarter. The European business is demonstrating consistent progress, delivering steady growth and sequentially improving like-for-like sales. The growth was driven by a volume/mix increase of +1.9%, marking the sixth consecutive quarter of positive performance, while overall pricing remained stable. We are pleased with the ongoing advancement of Essential Dairy and Plant-based led by functional

items such as our high-protein products which are experiencing double-digit growth.

We are also expanding our Fibres and Kefir portfolio under the Activia brand that is performing well. In plant-based, the Alpro brand is now consistently delivering quality results and growing at good pace, driven by functional beverages as well as plant-based yogurts. Specialized Nutrition has shown resilient growth driven by Medical Nutrition, with the Fortimel brand reporting a strong performance. Furthermore, Waters posted robust growth ahead of the summer season, driven by the evian, Volvic and Zywiec Zdroj brands. Now let's turn to North America on slide number 8.

SLIDE 8 – NORTH AMERICA

North America experienced a solid growth in this first quarter, registering a +3.7% increase, with contributions from volume/mix at +0.9% and price at +2.8%. The high-protein Oikos PRO platform led the growth, showcasing double-digit expansion with a consistent, very strong winning momentum. In Coffee Creations, while the category continues to grow at an attractive rate, we had a slower start amidst an increasingly competitive environment. What did not help is that we experienced service disruptions during the quarter, resulting in temporary out-of-stock at shelves. We have addressed these issues, are rebuilding distribution in this quarter 2 and should see an improved performance from now onwards.

In Medical Nutrition, we saw very strong momentum across the portfolio, whilst Waters is growing double digit with strong growth from both evian and Harmless Harvest.

Moving on to slide number 9.

SLIDE 9 – CHINA, NORTH ASIA AND OCEANIA

In the China, North Asia and Oceania region, we have reported outstanding growth of +9.9%, with volume/mix of +10.4% and price slightly negative at -0.5%. This represents a very strong start across all categories. In infant milk formula, we continued to gain significant market share bolstered by the strong performance of our Essensis platform.

These products are positioned within the premium segment of the market, are showing great consumer pull and are driving both positive volume and mix effects. The overall IMF category continues to improve its growth dynamics, and we are benefiting from an increased demand for what we call Stage 1 formula for the babies of 0 to 6 months old.

Furthermore, we observed sustained strong demand in Medical Nutrition, particularly for our Nutrison oral powder where we are doubling down our presence in existing hospitals and expanding into new ones. In the Waters category, Mizone achieved double-digit growth in the fast-growing functional beverage category. Our focus on execution and consumer

communication is helping us to continue expanding the brand distribution, with the team preparing for the summer season.

And finally, in Japan, our two functional brands, Oikos and Activia, continued to deliver further market share gains, as we are building a strong position in the premium functional dairy category.

Let's move on to discuss Latam on the next slide, slide number 10.

SLIDE 10 – LATIN AMERICA

In Latin America, we posted strong like-for-like sales growth of +9%, with price leading at +11% and volume/mix down at -2.1%. In this region, we have seen strong growth in Specialized Nutrition led by the Aptamil brand in Brazil and Argentina. Our Medical Nutrition portfolio also delivered another quarter of strong results.

In EDP, we saw solid growth across the portfolio led by the Danone, Danette and YoPRO brands. We continued to roll out our high-protein ranges in the region, an important element for our strategy offering more differentiated and value-added products to our consumers. In Waters, the growth was price led. The start of the year was soft, as we faced adverse weather conditions. We put back some of our promotional activities to make sure that we go with the right level of stock into the season, which is beginning as we speak.

And on to the last region, Africa, Middle East, Asia, on the next slide, Slide number 11.

SLIDE 11 – AMEA (REST OF THE WORLD)

In AMEA, we had a solid start to the year with like-for-like sales growth of +3.3%, led by price at +4.3% and volume/mix slightly down at -1%. We had a good start in EDP, with all markets growing well. We are pleased with the fact that also this first quarter of the year is demonstrating that we are moving in the right direction. Our business in Morocco is once again leading the table and posting competitive quality of growth.

Specialized Nutrition is also showing solid growth, notably in the Middle East as well as in India, where we see strong demand for our premium infant milk formula. In parallel, our teams are continuing to do a fantastic job in delivering market-share-winning growth in many markets of Southeast Asia. In Waters, where the season has not yet started, the category was soft due to heavy rain and regional floodings, especially in Indonesia. The situation is normalizing as we speak, and the team is preparing actively to get a good start into the season. This is concluding my remarks on our regional performance.

And I suggest we move on to the last page, which is Page number 12, for the guidance.

SLIDE 12 – 2025 GUIDANCE CONFIRMED

As I said, we are pleased to start the year 2025 with a strong performance. We can rely on several growth engines and are strategically positioned in high-growth categories centered around health. In the current uncertain environment, our science-based innovations and our consumer- and patient-centric approach are key differentiators and hence contribute to the resilience of our business. This gives us the confidence to confirm today the guidance for year 2025, aligned with our mid-term expectations of like-for-like sales growth between +3% and +5% and our recurring operating income growing faster than sales.

Let me here pause with my prepared remarks and open for any questions you may have. Mathilde, back to you.

QUESTIONS & ANSWERS SESSION

Mathilde Rodié, Head of IR

Thank you, we will now open the Q&A and start with the first question from Victoria Petrova, Bank of America.

QUESTION 1: COFFEE CREAMERS IN NORTH AMERICA; EDP PERFORMANCE IN EUROPE AND NORTH AMERICA

Victoria Petrova, analyst at Bank of America

I wanted to ask you about coffee creamers, which obviously impacted your North America performance. We know that there is increasing competition from the core players. And also you had a product recall. Can you separate these two items and maybe comment on how you look at the subcategory performance going forward?

Juergen Esser, Chief Financial Officer

Coffee creamers has been and is a very attractive category. It's consistently growing at a mid-single-digit pace. I think there is no reason to believe that the category dynamics should change, because people continue to increase coffee consumption at home.

And it's true that we have been gaining share over those last two years very consistently; and have today with International Delight one of the best, if not the best, brand in the sector. Because the category is attractive, there is obviously a lot of competition, because many people want to participate to that growth, from current market leaders but also from several incumbents into that category. And so it's true that, in Q1, we faced strong competition like we faced last year, but on top of that, we had internal performance issues, you were mentioning

that, which created even out-of-stocks at shelf, which is the thing you normally want to avoid. Fortunately, those issues have now been resolved, and we are rebuilding share of shelf. And so that means that we should see, from now onwards, improving performance. And so what that means net-net moving forward is that, because we have a very strong brand because I believe we have a very good innovation pipeline. And we are getting back with our commercial activities, which we needed to pause over the last couple of months. We are confident to go progressively back to capture the growth which the category is offering to us.

Maybe a last element because it may be a bit less prominent, which is that within our coffee creations we are also having the SToK brand, our ready-to-drink coffee, which has been doing fantastically over the last quarters. It's going from strength to strength and it is starting to become a sizable part of the portfolio. So we are having, I think, a very strong portfolio here to play and to go back to capture the growth the category is offering us progressively over the next quarters.

Victoria Petrova, analyst at Bank of America

Thank you very much. And I have one more, a bit of a more philosophical question. When I compare your growth in Europe and North America, at least the way we look at your EDP performance, North America is still significantly outperforming. What would make Europe catch up? What are the additional tailwinds you might see potentially? You were mentioning Activia; improvement in European countries going forward; and maybe in the same, kind of laggards catching up.

Could you comment on plant-based in North America in terms of development and also how we should think about the next 12 to 18 months? Thank you very much.

Juergen Esser, Chief Financial Officer

Yeah. Structurally we have a very different portfolio in North America and in Europe. North America for us is really an EDP market to a very large extent. We are actively working to grow our other legs of, as you saw, Medical Nutrition growing very fast, Waters growing very fast, but they remain for the moment minor when you look at the weight of the portfolio. So North America is really skewed towards EDP and skewed towards yogurt and skewed towards Greek yogurt, which happens to grow very, very fast. And the good news is that we do not see any change of trend here. Industry is building capacity as we are building capacity constantly, in order to be able to serve the demand. In Europe, the portfolio plays very different because we have a more balanced portfolio between Specialized Nutrition, EDP and Waters. And the good news is that all of those three are delivering. And especially EDP in Europe is improving quarter by quarter, thanks to the elements we have been putting in place over the last two years, where we have been exiting some part of the portfolio and relaunching other parts of the

portfolio, including what you were mentioning earlier, which is Activia kefir, the Skyr, and the high-protein variants, which are becoming more and more sizable.

So in that sense, two different structural elements, but in both regions, we are confident that we have strong portfolio which can deliver very interesting growth.

And on your last part, on plant-based, Alpro in Europe going from strength to strength. I mean this is really a fantastic turnaround story. And the strategy we are now applying since a bit more than one year is really working for us. We are working very actively on North America. We are seeing actually some green shoots in a category which remains still a little bit softer than in Europe, but we are confident that we will also be getting it there.

Victoria Petrova, analyst at Bank of America

And should we think about EDP Europe and EDP North America growing at the same pace in the future, or not?

Juergen Esser, Chief Financial Officer

Victoria, you will understand that I will not give guidance by region by quarter, by category, but we believe that both regions can deliver a good contribution to the overall performance of our company. Thank you so much.

Mathilde Rodié, Head of IR

The next question is from Guillaume Delmas, UBS

QUESTION 2: PRICING FOR 2025; IMF IN CHINA

Guillaume Delmas, analyst at UBS

Good morning, Jurgen. I have a couple of questions. The first one is on your pricing, which saw a significant sequential pickup in the first quarter. And not just at the group level, it was very much broad-based across all your three divisions. So my question here is are you just getting started and should we anticipate higher pricing quarter after quarter in 2025 as you implement more pricing actions? Or was Q1 pricing a little bit of a peak? And maybe still on pricing: I know the picture is a bit distorted, because of the leap year, in EDP, but have you seen any changes in your price elasticity in the quarter?

And then my second question is on Early Life Nutrition in China. It seems you've gained some additional momentum in the quarter. Here my question is more about what are the primary drivers for this acceleration? I mean, is it mostly down to greater share gains? Or is it also already reflective of this underlying improvement in category growth? And I guess, do you see that current run rate sustainable? Or would you anticipate some slowdown, particularly because -- we've heard from some of your large competitors that are launching what seems to be

ambitious product giveaway program -- so any color on that and its potential impact would also be interesting.

Juergen Esser, Chief Financial Officer

Guillaume, on your first question, on price-versus-volume mix.

First, I think, I mean, we are up to a good start into the year. So it's 4% growth in an environment which, as you say, is uncertain. And this is a consumer which remains weak. It's true at the shape of the Q1 performance is somehow specific. And this is part of doing business. And this is why we don't give guidance quarter by quarter on how much volume/mix and how much price, because the contribution will vary over time for sometimes technical reasons, for sometimes activity reasons. I think there are three elements to keep in mind for this first quarter. The first one, you mentioned and which is industry-wide, which is the leap year which is just translating into one day less in Q1 '25 versus '24. Second element is that in North America we benefited this Q1 from early pricing on top of the relatively late pricing of last year.

So in a way, we had a double effect in North America on price, which we will now phase out with Q2. And the third one, and I mentioned that in my prepared remarks, the season of water started relatively slow with bad weather conditions in both Mexico and Indonesia. We saw even some regional floodings. And so we slowed, therefore, down our promotional activities, which is temporarily increasing the price effect and, on the other side, lowering the volume effect. As we speak, the season is starting, and we are back to normal.

So when you put aside those elements which are really specific to the Q1, there is no fundamental change compared to the trends we have observed over the last quarters, neither when it comes to any kind of price elasticities. So we are pretty happy actually with the improvements we are seeing, including what we are seeing in EDP Europe.

And so net-net, it just means that we want to drive our growth driven by volume mix. And that's important for us because this is our business model, while pricing is important to cover for the net inflation but should not be the main driver of our growth moving forward like in '24.

And then so in the second question, on IMF China, Guillaume.

We're actually very happy, as you say, with the performance of the start of the year both on China and international labels, which is great. We are winning significant market share, like in the previous quarter, thanks to Essensis. So the innovation we put in place a bit more than one year ago, which is now largely available across the country online and offline. You have seen that pricing is normalizing in China as we expected, so after the investment phase we did in the second half of the year. And volume and mix dynamics remain very, very strong. The category, especially for Stage 1 products, is confirming a positive trend. And so what you see

in that Q1 is the combination of these two elements, the category which is doing a bit better and a very strong competitive performance. When it comes to the announcement of some of our competitors, I don't think there's a lot of new news actually. Because it needs to be seen in the context of all market participants trying to stimulate the category growth. So we are confident that we have a pretty unique position, a winning business model in China, one of the best, if not the best, brands with a digital-driven business model, which is really an asset for us in China, with fantastic innovations. And Essensis is proving really successful. And you know that we have still in the pocket, Nuturis, which had a soft launch in Hong Kong, which will come at some point also to mainland China. And in that sense, we are very confident when it comes to our ability to continue winning in this very important market for us.

Mathilde Rodié, Head of IR

The next question is from Jon Cox, Kepler Cheuvreux

QUESTION 3: EDP EUROPE

Jon Cox, analyst at Kepler Cheuvreux

Just a question just to go back to this EDP Europe. You're talking about double-digit growth in protein, but like-for-like growth in Europe EDP was only 1.5%. So the question is really, is protein share in Europe still so low? Otherwise, it indicates the rest of the portfolio was actually negative. Just on the pricing you see in EDP Europe. Last year, we were pretty much around 1% like-for-like, which I presume was volume growth but offset with a lot of pricing. I would have expected that to roll off in Q1. I'm just wondering. What is happening with price and volumes in Europe in EDP?

Juergen Esser, Chief Financial Officer

Jon, look. I think, EDP, we are pretty happy with the progress we are seeing there. You can see that there is now six consecutive quarters where we have been delivering positive volume mix. And we are seeing that -- those elements which are more added value which we have been launching. You mentioned High Protein. We could talk about Skyr. We could talk about Kefir, very well received by, first, the retailers, which is important; and then by the consumers. When you compare our portfolio in Europe to the portfolio of North America, it's true that the weight of High Protein today is relatively low, but because they're growing at a high pace, that will rebalance over time. And in a way, this is reflected in the sequentially improved performance you are seeing in EDP. We have a much more diverse portfolio in Europe.

You know that we have the Activia brand. We have Actimel, which is doing very well. Actually Activia, with the Kefir propositions we have put in place, the Fibres propositions we are putting in place, we are seeing also quite promising dynamics, so we are on the right trend. And we

knew this is not a one-quarter fix. We knew that it will take time, but when we look at it progressively, every quarter looks better. So quite happy. When it comes to the pricing in Europe, there's actually not a lot to say. Pricing, and we have said that in Europe, will neither be a big driver of growth, nor will it be a big drain on growth. So it will be very volume mix focused.

We are, as usual in Q1, in the midst of price increase negotiations. They are as easy or as difficult as every year with the usual suspect markets being a bit more difficult. Some negotiations are closed, but an important part, is still open and sometimes also again leading to some supply tensions. But our focus remains really on volume mix, and we are quite happy with what we are seeing.

Jon Cox, analyst at Kepler Cheuvreux

Maybe just as a follow-up. You talked about a lot of areas where you had maybe weakness in Q1 and things improving. Why shouldn't we expect organic like-for-like sales growth to accelerate in Q2, particularly as you don't have a one-day impact from the leap year last year?

Juergen Esser, Chief Financial Officer

The point is that every quarter is different. And this is what I said at the beginning, because the activity plans are different because the category dynamics are different. And there's always one child in the family which is sick, and we saw that also in Q1. What is important for us is that we can deliver consistently in a quality and competitive manner and ahead of the food and beverage sector, and we are confident to continue to do so also for the quarters to come.

Mathilde Rodié, Head of IR

Next question is from Céline Pannuti, JP Morgan

QUESTION 4: PRICE IN LATIN AMERICA; COGS INFLATION FOR THE YEAR; AWAY-FROM-HOME

Céline Pannuti, analyst at JP Morgan

So maybe a follow-up on pricing Latin America and maybe in the context of cost inflation. So first of all, on Latin America pricing, can you talk about should we expect this to be recurring in the coming quarters? And what drove that such high double digits increase? And was there any impact -- I mean clearly there was elasticity, but was there any impact that we should know on volume in that region that should not be recurring in the coming quarter? And then following up on pricing as well, can you talk about cost inflation at this stage, what you are seeing? I mean there was clearly as well some good pricing in North America, so yes, if you could help us understand the COGS inflation dynamic for the year.

And then my second question is on away from home. You said it grew high single digit. Can you give us a bit more color on growth in away from home in both Europe and US? And how big is it as a percentage of your total sales?

Juergen Esser, Chief Financial Officer

Celine, maybe starting with your COGS inflation question.

I think there's not a lot of new news since we talked last time. From what we know today, and obviously we need to be a bit careful because we are navigating through uncertain times, but from what we know today, we anticipate what I would call a normal level of inflation for this year driven by milk and dairy ingredients, driven by labor, driven by logistics, some uncertainty coming through the tariffs, although that's not our major concern because we produce a lot locally. Still there is a few things we are importing in US, like Waters and so on. I think we have good mitigation plans in place. We see some commodities reacting over the last weeks, some going a bit up like milk, some going down like oil and gas; and therefore, maybe some opportunities coming from that, but so overall no big material swing. That also means that what we told you a couple of weeks ago on pricing overall remains valid. We are not going for broad-based pricing. We are applying selective pricing. And this is what we are currently negotiating in Europe. This is what we have been putting in place in many other markets around the world at the beginning of the year.

LatAm is no exception from that. What is very particular in Latin America is that the size of our Waters portfolio is quite heavy. And we had a slow start in the season because it has been heavily raining, especially in Mexico. And that means very mechanically we have been stopping our promotional initiatives. And stopping promotional initiatives gives you a very mechanical effect on price, a positive price effect, which you will not see again in Q2. And on the other side, it gives you a lot of pressure on volume. So that is normalizing from Q2 onwards. Yes, Latam is a region where we always can see price because this is the reality of emerging markets, but I don't think it will be at the level we have seen in Q1.

And last but not least, away-from-home. It's one of our strategic channels, as you say it. It's by now a billionaire platform growing fast and growing fast actually across all regions; and benefiting from one thing, which is important, which is that it used to be really for us a channel where we were only selling our Waters business. And now that we have been developing innovations in a channel-specific mode, we are starting to launch also our drinkable yogurt in plant-based, in dairy through those channels. And that starts to work for us very well. So we are growing at a good pace in North America, we are growing at a good pace in Europe. And obviously these are usually more premium-priced products. To make away from home strategic and profitable channel, it means investment. This is what we have been doing over the last

and we continue to invest, which means a dedicated force but also distribution partnerships in order to reach point of sales. And we have been putting in place that in many of our countries around the world, so for us, that is and will stay a very important channel for the future.

Céline Pannuti, analyst at JP Morgan

Is it possible to know the size of this channel in Europe and North America, please?

Juergen Esser, Chief Financial Officer

Well, we are not breaking down in all those details, but obviously, when I say that it's become a billionaire platform for us around the world, I speak mostly about Europe and North America. It's a bit less prominent in other parts of the world. And therefore it's becoming a sizable part of the portfolio in those two regions.

Mathilde Rodié, Head of IR

For the next question, we have Warren Ackerman, Barclays

QUESTION 5: MEDICAL NUTRITION IN CHINA; MIZONE MOMENTUM; CAPITAL ALLOCATION PRIORITIES

Warren Ackerman, analyst at Barclays

Mathilde, it's Warren here from Barclays. Hopefully, you can hear me okay. I've got a couple. First one is on medical nutrition, Juergen. Could you give us a bit of color what's actually happening in China? You talked about big investments in hospitals beyond Tier 1 hospitals. You made a big sales force investment. What is actually happening? And does that give you like another leg of growth as you kind of move down those tiered hospitals in terms of sales force? And maybe can you reconfirm that you still think the Chinese medical nutrition market will double by 2030? Are we -- is what you're seeing on track with that medium term -- any color around medical, specifically China, would be great.

Second one, just on Mizone double-digit growth Q1. Q1 is a low season for Mizone. Are you confident, as we go into the big season in Q2, that you'll be able to maintain that momentum? And maybe what innovation do you have around Mizone to give us confidence?

And then just finally, you are deleveraging very quickly, Juergen. You've been very clear that you're looking for acquisitions. Does your appetite for that remain undimmed given the tariffs and macro situation? Or are you considering maybe other alternatives such as buybacks instead?

Juergen Esser, Chief Financial Officer

Warren, on the medical nutrition China question.

I think we have been very clear in the capital market, even last year, in June, that we believe that this is a very, very attractive category growing very fast and, as you say, doubling within a relatively short period of time. And we can just confirm that we continue to be very bullish about the category. We have been and we are continuously investing into it. You know that we have a very strong position on tube feeding, on enteral tube feeding. This is the way this business has been built over the last years. And this is our primary focus, to make sure that we are going from our very strong presence in Tier 1 hospital also down to Tier 2 and Tier 3 hospitals. And for that, we are investing into dedicated sales force. That takes time, but it's paying back as we speak. What is interesting that, at the same moment, we are building a second leg, which is the oral nutrition path in China. This is still small today, what we believe has a lot of potential. You know that oral nutrition in Europe, for example, is a very important part of the portfolio. That means a lot of education and discussion with healthcare professionals to build that category, but we believe that there is a lot of potential here. So fully on track vis-a-vis what we said for medical nutrition and our ambitions in China.

Mizone, off to a good start. You are absolutely right. We are in the low season. We are entering the season as we speak. The category is dynamic because what we are seeing in China is what we actually are seeing around the world, which is healthy nutrition is on trend. And Mizone is addressing exactly the needs of the consumers during those times. We believe that we have a great portfolio. We are still, in a way, in the rollout mode of our electrolytes innovation, so don't expect us to come with the next innovation for year 2025. We want to make sure that what we have now in place is fixed and is working. So good start into the year. We are confident for the season.

Third point, on deleverage. Yes, indeed, thanks to the cash flows we have been delivering and the disciplined capital allocation, the balance sheet looks good. We believe there's an opportunity in these uncertain times. And we want and we will look at opportunities which will arise. So that's opportunities to invest into organic growth. And we continue to invest into solidifying the growth dynamics we are seeing. And so the strong start of the year is, I think, giving us confidence that we are on the right way. But also to look at acquisitions where they make sense. And I think we have been very clear on the criteria. Having a strong balance sheet at that moment of time which is not the case for all the players in the industry, I think, creates opportunities. And so we will come back to that over the next quarters.

Mathilde Rodié, Head of IR

Next question from Tom Sykes, Deutsche Bank

QUESTION 6: FX IMPACT; CHANNELS; IMF IN CHINA

Tom Sykes, analyst at Deutsche Bank

Firstly, just on FX, I wondered if you could give the impact, translation impact. And is there anywhere in the business that you see potentially a demand impact at all from cross-border where you're exporting euro-denominated product given the strength of the euro?

Just on the channels that you gave on Page 5, I mean, is it possible to kind of add them all together and give a view on what might be happening volume mix in those in aggregate versus volume mix in traditional mass retail?

And I guess a final question would just be on the China infant formula. You say growth is Stage 1 driven now. Are we approaching the point where that will be Stage 2 driven for you? And can you at all give any nuance as to the split of growth between Stage 1 and Stage 2 for you in China infant formula, please?

Juergen Esser, Chief Financial Officer

Tom, let me start with the currency element. Obviously currencies are very volatile those days. Actually we are benefiting from the fact that we as usual are hedging a lot of our transactional exposure. So do not expect a lot of short-term impacts through that lens of transactional initiatives we are having within the company. On the translation part, that can obviously have an impact on our global results when we translate them into the euro, with our presence around the world. And so in a way, we will focus on what we can control. And what we can control is to deliver a strong like-for-like sales growth. What we can control is to deliver on our commitments on operating margin, and what we can control is to deliver on our cash commitments. And I think the start of the year gives us confidence that we can deliver on what we are committing to.

On the channels, when we say that those strategic -- more strategic channels are delivering good growth 2 to 3 times the growth which we are seeing in the more traditional -- or not traditionally, in the legacy mass retail channel, that's a mix, let's say, a mix of different elements. First, those channels attract more high-priced products. So there is a component of mix which is supporting the growth of this channel but also a component of volume because those are channels where consumers are shopping more today and more often than in mass retail. So we are benefiting from that, so I would say it's ticking all the boxes. And this is why it is strategic, because it's offering growth and it's offering profitable growth. And this is important for us. And this is why we see good returns for the capital we are allocating to it.

Last, on China IMF; green shoots on Stage 1, which actually is not a surprise because everybody has been talking about the year of the dragon, 2024. So we saw birth rates stabilizing last year, which mechanically translates into better Stage 1 performance. Mechanically, at some point, there is reason to believe it will also help the Stage 2 when babies are getting older than 6 months. When you look at the weight of the industry or where the industry is today, it's more skewed towards Stage 2 and Stage 3 than Stage 1, which is normal. And so we will need to see what that gives to us. We are not betting on any kind of category acceleration. What we are focusing on is the competitive set and the opportunity we have to continue winning share with our great products under the Aptamil brand.

Mathilde Rodié, Head of IR

Last question from David Roux; Morgan Stanley

QUESTION 7: NORTH AMERICA PERFORMANCE

David Roux; Analyst at Morgan Stanley

Juergen, I just had one follow-up question on North America. You quite clearly called out coffee creamers as one of the soft parts of the business during the quarter, for those factors that you mentioned. Apart from creamers, are there any other parts of the portfolio in North America where performance had softened from last quarter that we should be aware of?

Juergen Esser, Chief Financial Officer

David, look. North America, you know that the heavy weight in our portfolio is our yogurt and high protein ranges. And actually we see very strong demand and continued very strong demand for it. What I was saying earlier today is that the industry and ourselves are continuously building capacity to serve this demand. And also, when I look at the last scanner data, it's performing very, very well.

So, so far, it's we have not seen any kind of change of trend on demand on the portfolio in North America.

Mathilde Rodié, Head of IR

So that was the last question we'll take today. Thank you, all of you, for your time. Juergen, back to you.

Juergen Esser, Chief Financial Officer

Thank you, Mathilde. Thank you, everybody, for joining the call, we have seen a strong star of the year and we are ready for what it's coming. Bye.