Fit for growth and Innovation

Véronique PENCHIENATI
EVP – Growth and Innovation
Véronique Penchienati
19 years at Danone

2017  EVP Growth & Innovation (Comex since Feb 2018)

2014  President Evian Volvic World

2009  GM Danone Eaux France

2002  VP Marketing Dairy Worldwide Business Unit

1999  VP Marketing LU France
Growth and innovation to drive value
Bringing together all growth functions in one seamless team

Growth strategic functions

- Marketing
- Digital
- Sales

Growth accelerator programs

- R&I
- Quality
- Alimentation science

Business chief growth officers

- MiA MANIFESTO INNOVATION ACCELERATOR
- MANIFESTO VENTURES
Growth and innovation
Fostering a unique mindset

Seamless cooperation

Make it scalable fast

Global center of expertise

Local empowerment

Performance culture
Contributing to our collective ambition
Embedding digital and innovation to deliver our business goals

our strategic priorities

1. accelerate growth
2. maximize efficiencies
3. allocate capital with discipline

our 2020 objectives

4 to 5% sales growth (1)
>16% operating margin (2)

(1) Like-For-Like sales growth
(2) Recurring operating margin
#FoodRevolution and Digital
The Perfect Fit

40% of worldwide searches focus on food & beverages (Google and Amazon)

60% of purchases in our categories are triggered by an online touch point

Source: Google search report- Garner digital index report
Four strategic priorities
To succeed in the digital era

1. Reimagine brands
2. Transforming consumer reach & engagement
3. Transforming channels
4. Disruptive innovation
Reimagine brands
When they eat & drink, people vote for the world they want to live

As the power is shifting to people...

... who engage and adopt brands according to the purpose and values they share

... Reinventing our brand model

Shifting to Manifesto brand model
Manifesto brands: building loyalty through brands with a purpose
Bonafont case study

We fight for
Women Empowerment

We do
- Fundraise
- Campaign
- Race

We impact
- Raise awareness (>100 Mio reach) on Gender Equality issue
- 100% Limited Editions profit donated to women projects
- $1MX / km run donated

for 25 years
Manifesto brands: building loyalty through brands with a purpose

Bonafont case study

**Purpose**

- We fight for
  - Women Empowerment

**Act**

- We do
  - Fundraise
  - Campaign
  - Race

**Impacts**

- We impact
  - Raise awareness (>100 Mio reach) on Gender Equality issue
  - 100% Limited Editions profit donated to women projects
  - $1MX / km run donated

**Long term**

- Consistent

**Faster Growth**

1. Reimagine brands
2. Transforming consumer reach & engagement
3. Transforming channels
4. Disruptive innovation

We do

We impact for 25 years
Impact and results
Manifesto Brands deliver incremental value and growth

the Bonafont case

Growth
+5-10% vs. last year

Most Loved
FMCG brand in Mexico

Leadership
1 2 3

(1) 2017 vs 2016

growth
3X Faster

Manifesto Brands

Average Danone Brands

BONAFONT

(1) 2017 vs 2016
Some other great examples of our Manifesto brands in action

- **gender equality**
- **circular economy**
- **transparency**
- **support to farmers**
- **nourishing happiness**

+5 to 10% growth vs PY
+5 to 10% growth vs PY
>10% growth vs PY
>15% growth vs PY
>10% growth vs PY
Danone One Planet. One Health
The journey has started in France with 3 important commitments

Transparency

Organic

Regenerative agriculture

Danone France @DanoneFR
Premier acte : donner les moyens à chacun.e de mieux choisir son alimentation. #OnePlanetOneHealth

Danone France @DanoneFR
Deuxième acte : renforcer notre offre bio. #OnePlanetOneHealth

Danone France @DanoneFR
Troisième acte : accompagner nos agriculteurs partenaires pour développer l'agriculture régénératrice. #OnePlanetOneHealth
Danone One Planet. One Health
With a full engagement plan with consumers in Sept

Social media conversations
1.9M reach
(86% neutral, 13% positive, 1% negative)

Turnover 5.4M (+8% vs average Friday)

1 500 Danoners in stores
Reimagine brands
Our ambition for 2020

from 10

Manifesto brands
accounting for 20% of Danone sales in 2018

> to 100%

of our brands participating in the manifesto brand journey by 2020
Four strategic priorities
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Transforming consumer engagement
Optimizing marketing spend and reaching new audiences

from Traditional advertising
Buy reserved ad space at negotiated price, and same creative to all

MASS MARKET
MASS ADVERTISING
INTUITION-DRIVEN

to Precision marketing
Bid on real-time for audiences, based on data and tech with differentiated creatives per consumer segment

MASS OF NICHES
TARGETING AT SCALE
DATA DRIVEN
The digital shift is underway
Proven impact on growth and efficiency

**Efficiency**
cost per useful contact

-30%

**Effectiveness**
sales impact

>10 -20% *

*average on first party data campaign measured
Precision marketing
Successful tribes activation in partnership with customer

8 tribes identified...

- Heavy buyers of L&F
- Lookalike 1
- Lookalike 2
- Buyers of healthy prod
- All other shoppers
- Lookalike 3
- Lookalike 4
- Buyers of baby products

...targeted content...

...positive impact on results

sales lift
index 137
cost per contact -86%
Transforming consumer reach and engagement
The digital shift is underway

Media spent on digital

>30% (Highest in China and UK)

Audience-driven activation

100% of our digital activations will be data-driven by end 2018

Search optimization

55% of our media investment generate proprietary data

+14% rise of search performance (incl. ebusiness search with Amazon)
Four strategic priorities
To succeed in the digital era

1. Reimagine brands
2. Transforming consumer reach & engagement
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4. Disruptive innovation
E-business

C-Store

Discounters

CASH & CARRY

1. Reimagine brands
2. Transforming consumer reach & engagement
3. Transforming channels
4. Disruptive innovation
A growth engine for Danone today… and tomorrow
Objective to double e-commerce size by 2020

From
€1bn
sales in 2018

4%  ~+40%
of Danone net sales  growth vs. LY

To
€2bn
sales in 2020
Delivering €2bn e-commerce target
Key levers already deployed in countries

right organization
ELN China cross functional e-commerce acceleration team

right execution
waters France online store

right supply chain
strategic partnership

dedicated assortment
DWC exclusive pack for JD.com

data sharing
EDP Precision marketing with Ocado

JBP with pure players
ASPAME Lazada strategic partnership
Prioritizing eCommerce within the company, both with resource and investment.

Forming a dedicated and fully-integrated eCommerce cross-functional team.

Marketing team with digital-first/ecommerce-experienced talent.

A consumer-first standpoint approach when deciding on assortment, offering and communication.

E-commerce net sales

- e-business sales is now
- >10% of HF total net sales

Growing 2x faster than total net sales growth

Launching a very innovative Happy Bundle DTC subscription program

Happy Family success story

Rapid sales growth demonstrates benefits of omnichannel strategy
Enhancing team capabilities across categories
Embedding digital skills in all sales functions

GM, Sales director, Sales & MKG VPs
- Snapshot of what is takes to win with Amazon

Ecommerce & Key account manager
- Understand selling model
- How to manage P&L
- Navigate tough counterparts

Operation manager & customer service
- Understand operation model, route to markets
- Maximise availability and minimize cost to serve

All functions
- Hundreds of best practices from all the functions and all the Bus around the world

Understand business model, channels and flying wheel
- Learn about Amazon strategy and latest activity

All functions
- Danone ambition by 2020 and majors pillars of the global strategy
- Quaterly results and CBU rankings

Data
- Understand Amazon funnels and tools available
- Creative, Search & displays guidelines

Product page Content and A+ pages guidelines
- Support to build brand store

Digital Manager
- Brand managers
- All functions
Four strategic priorities
To succeed in the digital era

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Create value through disruptive innovation
Anticipating and monetizing consumer trends

Accelerate...

- Plant-based
- Organic and beyond
- Probiotics

... And lead the way

- Clean Label
- Beyond Plastic
- Sugar and Sweetness
Innovations: more, better, faster
Now around 20% of our net sales\(^{(1)}\)

- **Activia in the US**
  - +4% YTD sales growth

- **Net sales/ liter vs. core range**
  - 50% higher

- **Organic baby food market**
  - 10% market share

- **Recyclable packaging for AMN**

\(^{(1)}\) Innovations and renovations
Innovations: more, better, faster
More agile and open innovation process

100
Fast Prototypes
in the pipeline

20
Design Thinking Concepts
in the pipeline

40%
Faster to market
on latest innovations
Innovations: more, better, faster
Identifying partners and technologies to drive future value

**INVEST**
Focus on:
*New business Model*
*Packaged Food*
*Life science*

**BUILD**
Focus on low scale testing for new business ideas

**PARTNER**
Focus on new technologies (ingredients, pack & material, process, devices …)
Conclusion: Fit for growth and innovation

Our 2020 ambition

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<tr>
<td>20% of net sales</td>
<td>100% of net sales</td>
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<tr>
<td>€1bn sales</td>
<td>€2bn sales</td>
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<td>&gt;30% of total media</td>
<td>&gt;40% of total media</td>
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<td>&gt; 20% of net sales from innovation/renovation</td>
<td>Increased contribution of innovation/renovation to growth</td>
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Brands: grow manifesto brands
Channels: double e-commerce
Advertising: Digital media spending
Offering: disrupt innovation
Conclusion
Well-positioned to deliver strong value creation

Danone strategic priorities

1. accelerate growth
2. maximize efficiencies
3. allocate capital with discipline

Growth & Innovation
at the heart of value creation

Enhancing brand relevance to engage with next generation consumers
—
Driving incremental sales through digital channels
—
Data-driven activation to optimize media spending
—
Innovating for the next frontiers
—
Using digitization to deliver savings and efficiency
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• Due to rounding, the sum of values presented in this document may differ from totals as reported. Such differences are not material.