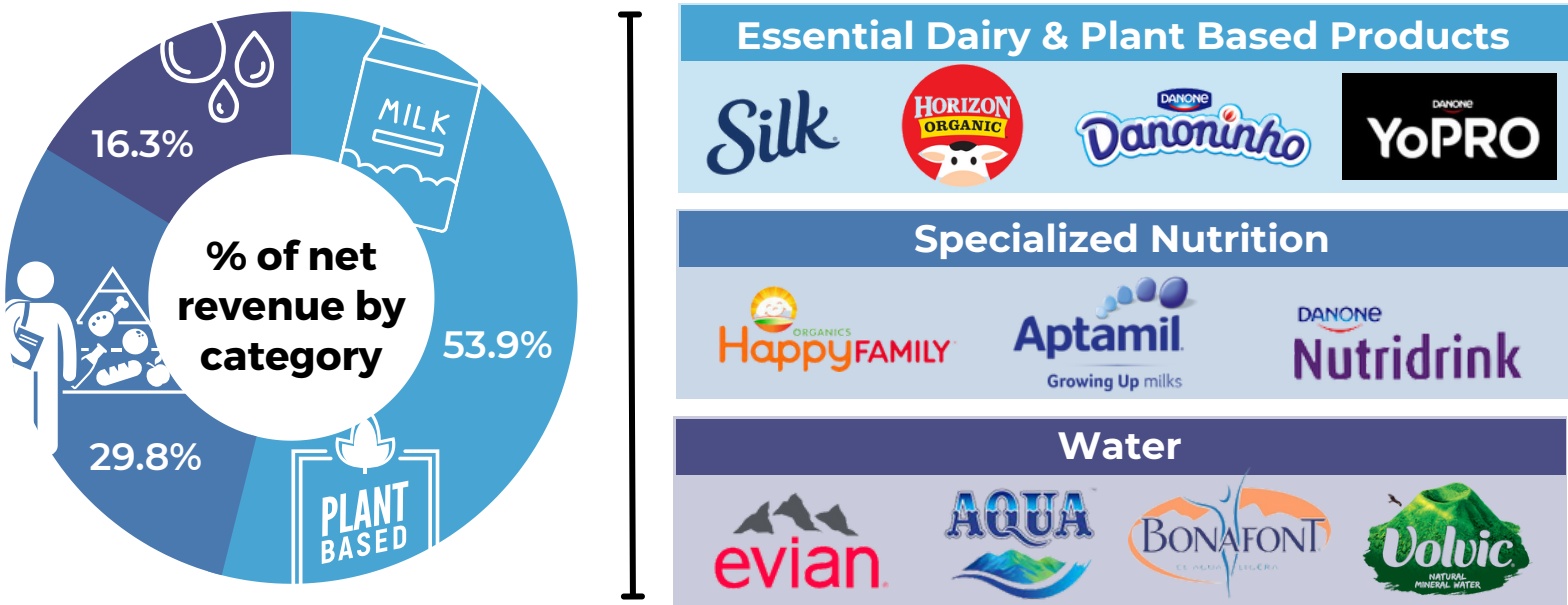


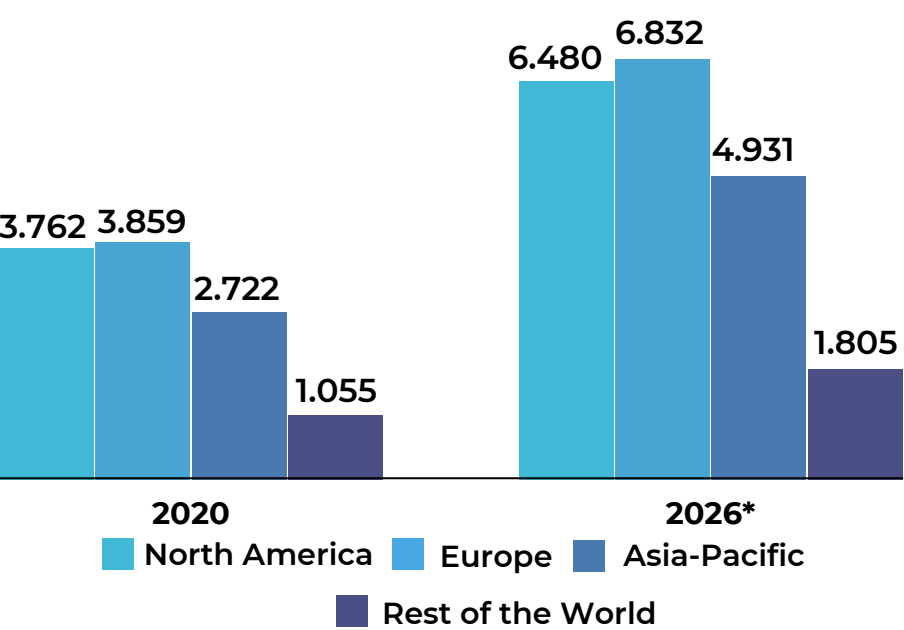
João Pedro Almeida | Gabriel Rosa | Vitoria Agostini
Apresentação

It is clear to start by exposing Danone's portfolio, which covers a multiplicity of sectors and their respective relevance. In this context, we present (1) growth of the main pillar of the portfolio (2) notable trends (3) unfolding of the water sector

1 Danones Business and Portfolio

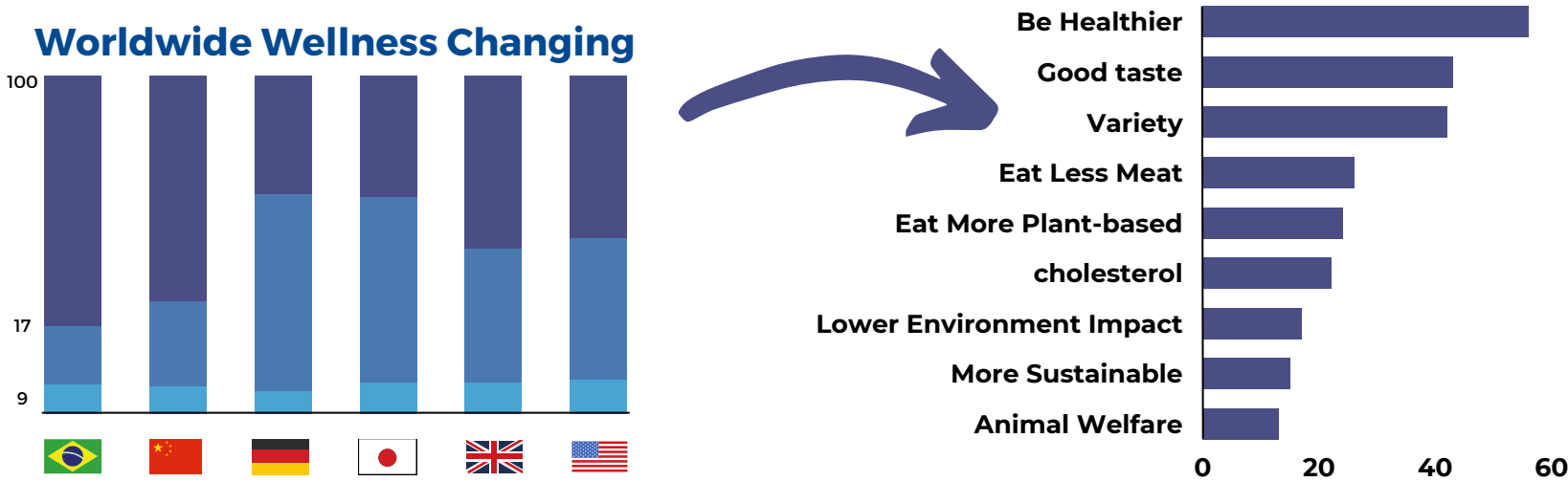


2 Dairy Market Growth Forecast (in millions of dollars)



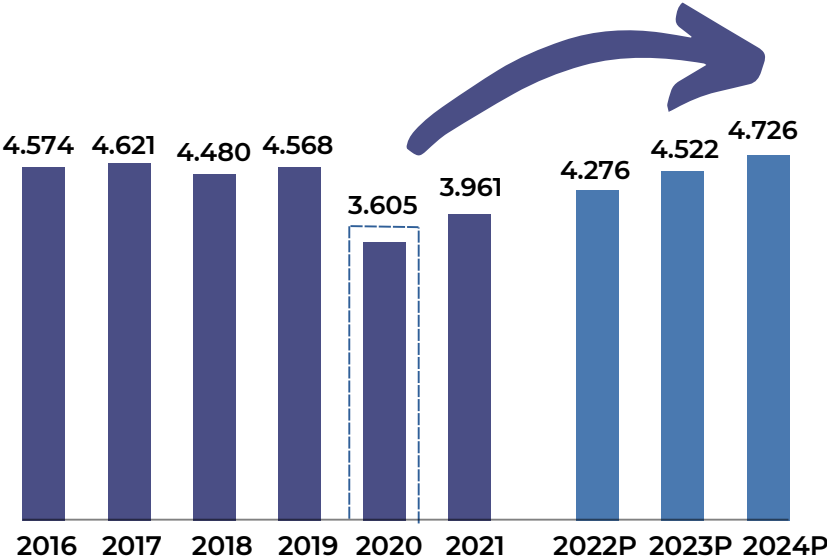
Danone is inserted in a sector of constant growth, giving opportunity for a boost in the main part of its portfolio. According to projections made by Statista, the dairy market tends to grow at a CAGR of 11.9%, demonstrating that there is still room for gains for companies in this segment.

3 Wellness Increasing, an opportunity view



it is notorious to expose a growing trend regarding the increase in the consumption of healthy products, regardless of the country's culture. In this context, we understand the company's notable competitive positioning, which includes a variety of dairy and plant-based products, from nutritious, flavorful and specific to a utility, such as a high protein base for example.

4 Water business hugely affected, but we project a turnaround (Projected Water sales in Millions of euros)

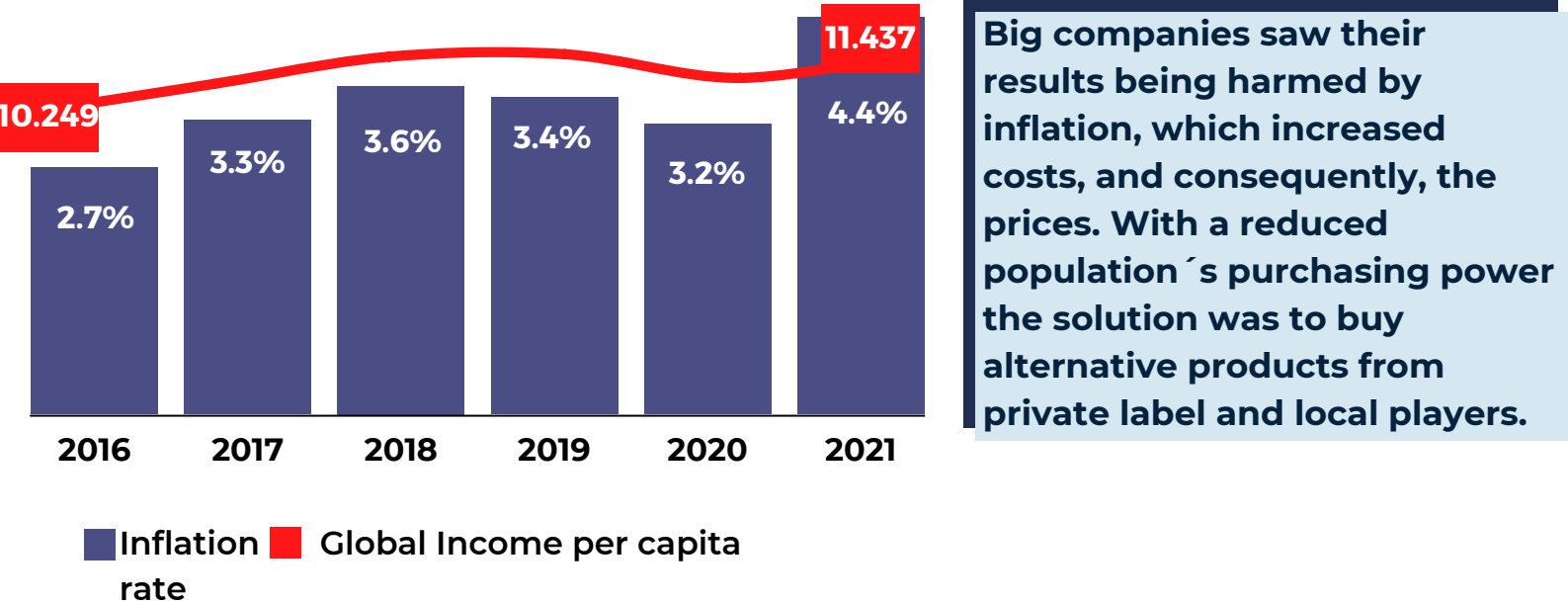


Sales in danone water business fell around 6.8%, declining more than 40% in China. This 40% typically came from channels such as restaurants, cafes, and movie theaters, have been forced to close due to the virus.

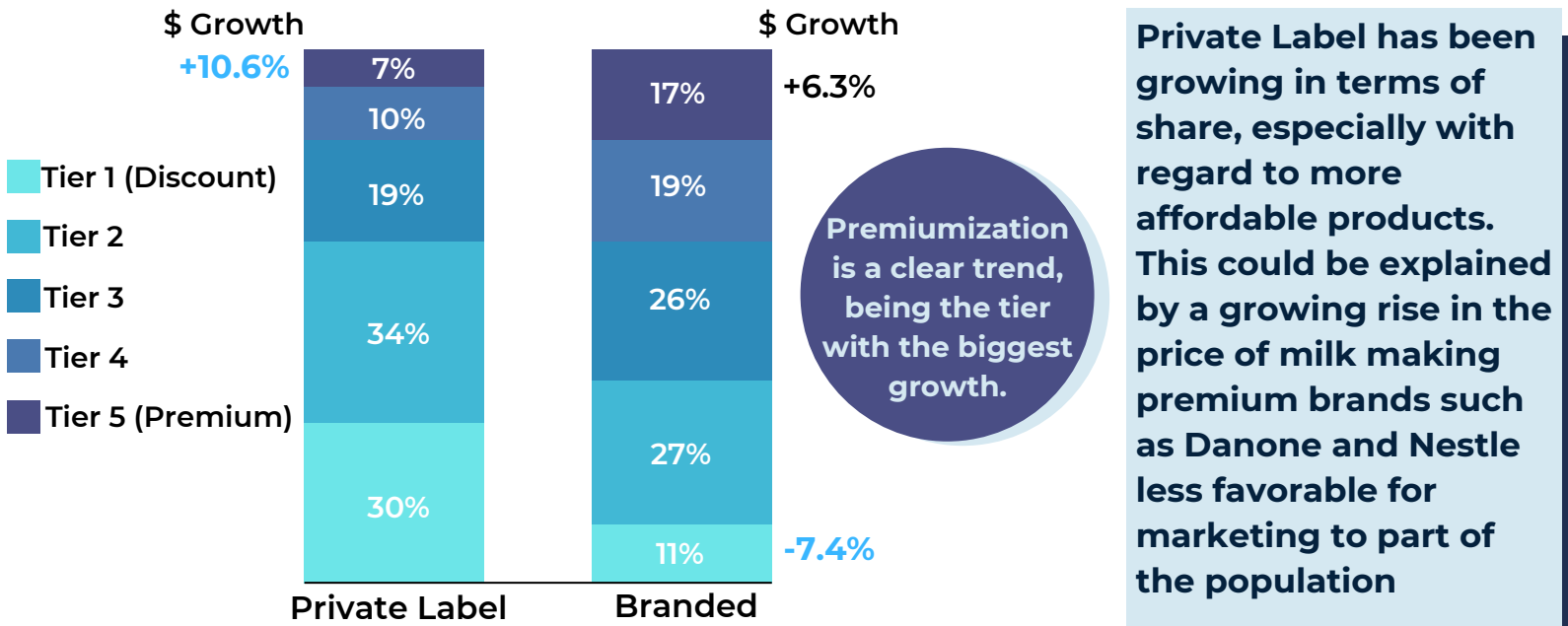
Therefore, we project an increase of 10,7% in water sales, following the company's first quarter results, bringing the company back to pre-pandemic levels, helping to recover its margin.

Dairy market is getting more and more competitive, going through hard times driven by price pressures. Most companies ARE losing share, and Danone suffering also by specific problems.

5 Global Inflation rate compared to the previous Year (US Dollars)

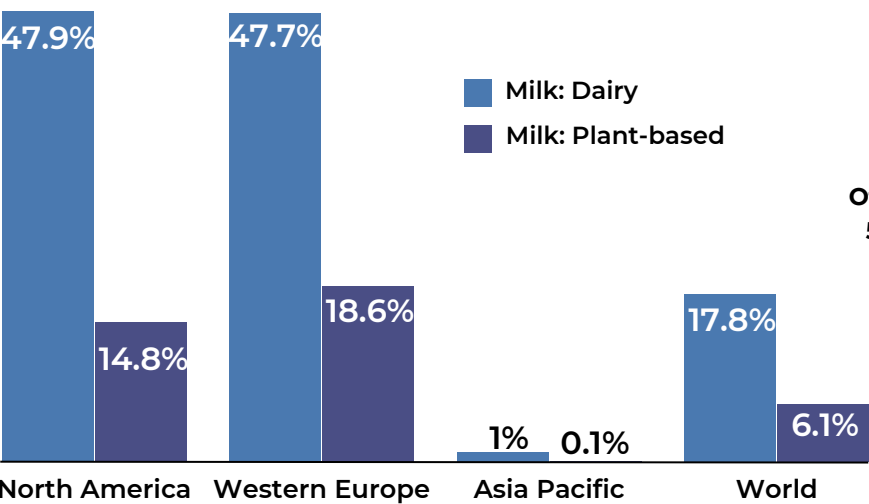


6 Dollar Share by Price Tier

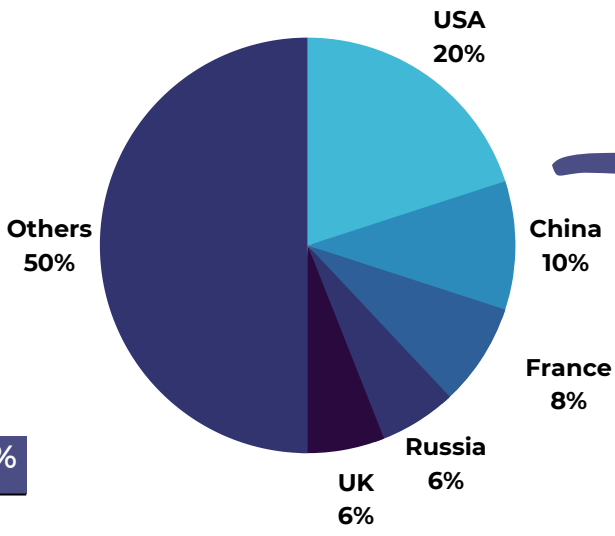


7 Private Label (PL) share of the milk and plant-based milk alternatives market worldwide, by region (2020)

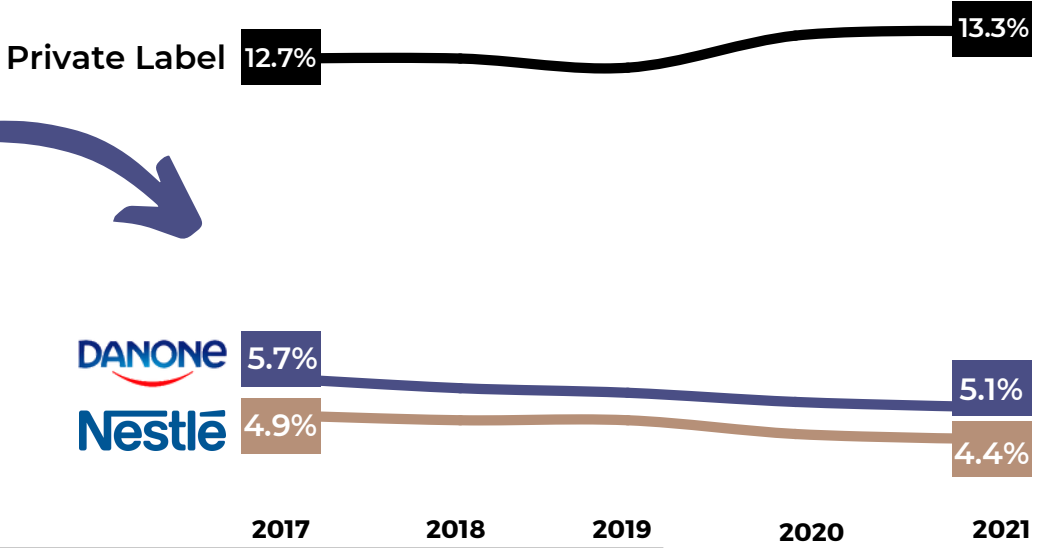
Worldness PL Share: Between Dairy and Plant Based.



And how Danone's is positioned (share) in these following markets?



Consequences between notable PL increase and Danone position:



Supply constraints and retail channel shifts amid the pandemic allowed small and private-label manufacturers to gain share, especially in relevant countries to Danone.

Private-label products also became more attractive to consumers who were affected by a lower purchasing power and were looking to save money or needed an alternative when brand names were out of stock.

When comparing Danone and its peers, mainly with regard to costs and expenses, we see that the sector as a whole has been increasing its costs stably. However, when analyzing expenses, while the sector decreases or maintains its expenses stable , Danone has seen a significant increase in recent years.

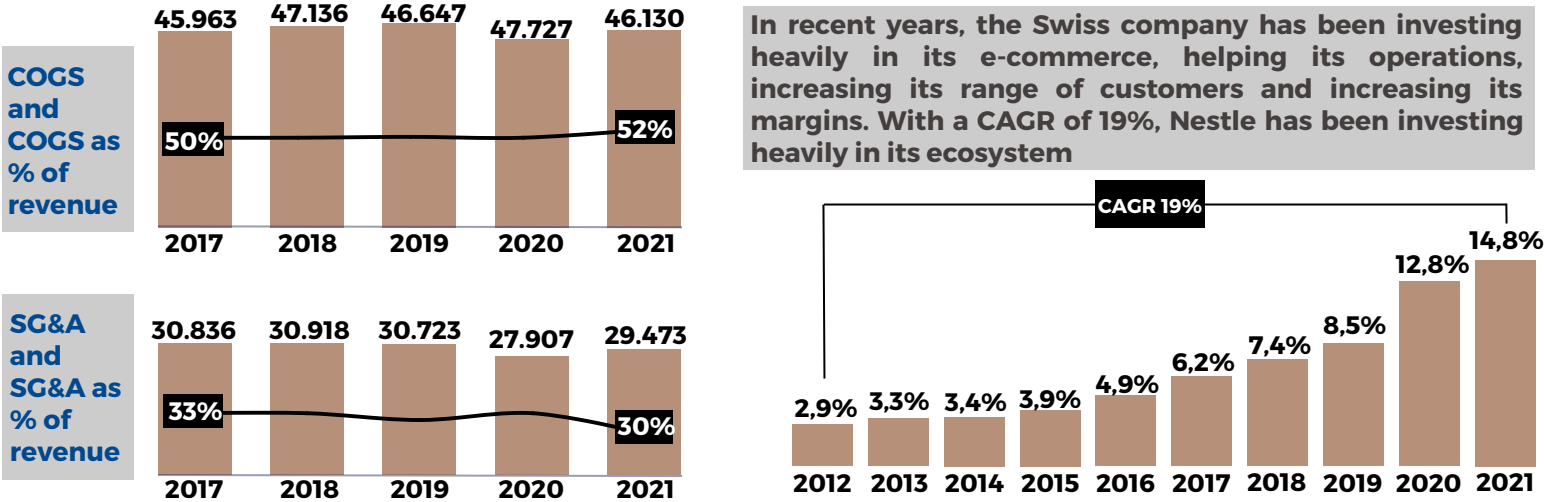
Nestlé

With a global, balanced and diversified portfolio, Nestlé's decentralized structure enables agile responses to shifts in consumer needs, customer demands and supply chain challenges

Over 2000 brands

Present in 190 countries

Strong E-commerce



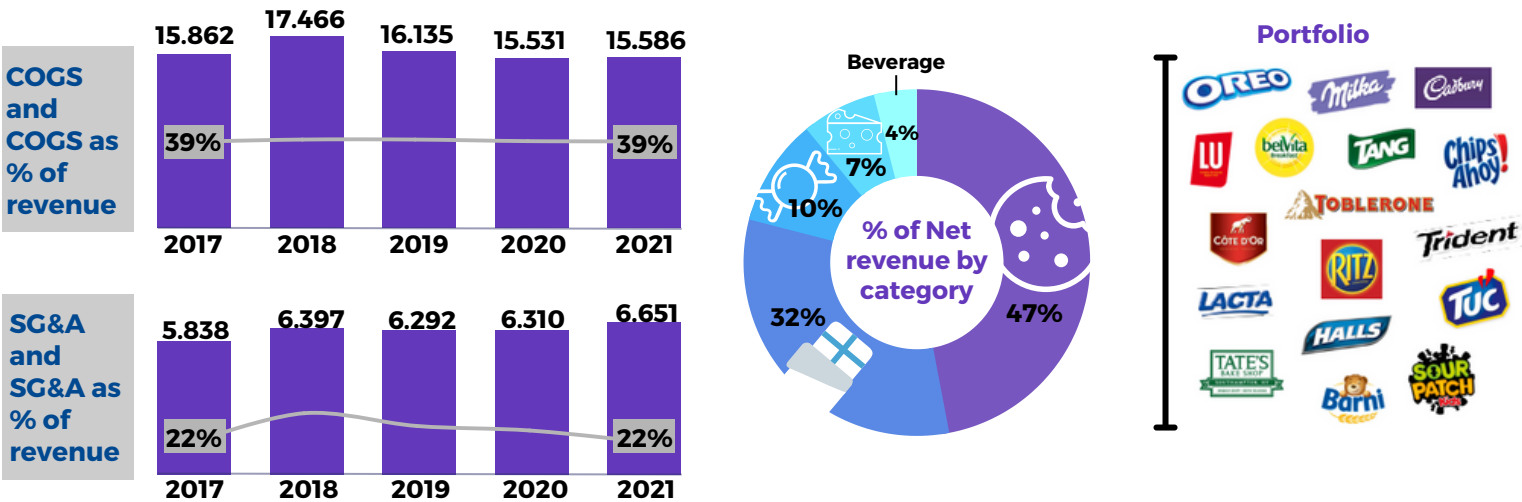
Mondelēz

Known mainly for its cookies and chocolates, the American giant has managed to bring greater returns than Danone to its shareholder.

Over 250 brands

Present in more than 150 countries

Stable Margins in the last years



Unilever

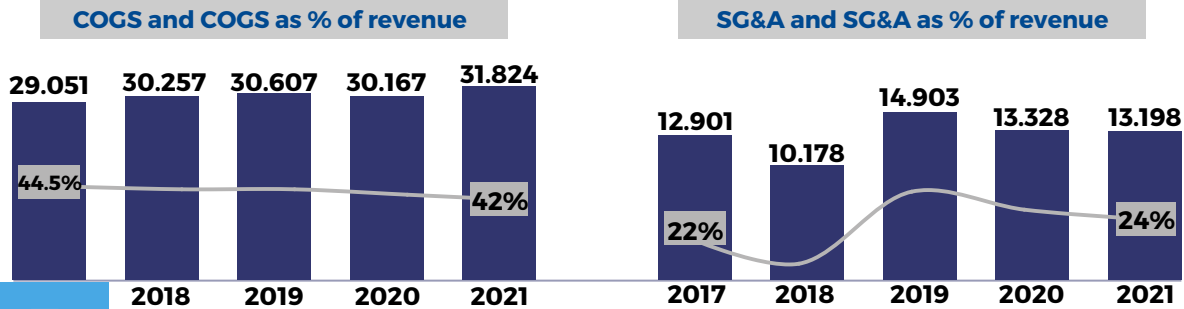
Focused on needs for nutrition, hygiene and personal care, the british multinational was founded in 1929, and now is one of the biggest company of consumer goods in the world.

Over 400 brands

Present in more than 190 countries

Around 3.4 billion consumers

With a vast and incredibly diversified portfolio, Unilever has seen increases in its revenue in recent years, as well as a dilution of costs and a decrease in its general and administrative expenses.



DANONE

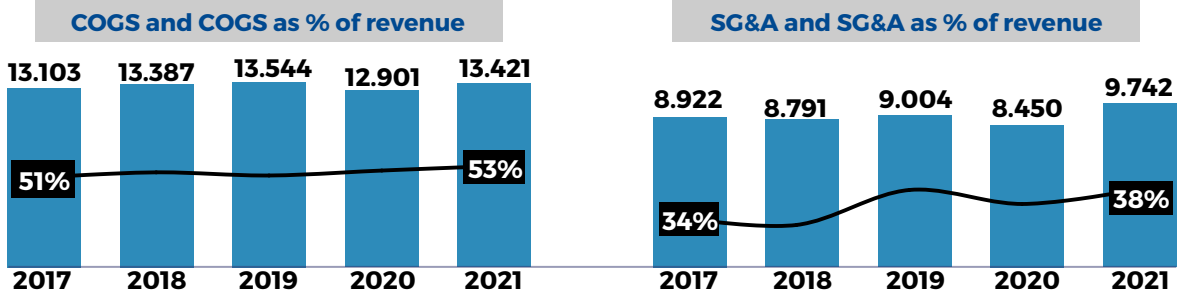
While facing some problems, the French giant is still the number one dairy company in the world

Over 100 brands

Present in more than 120 countries

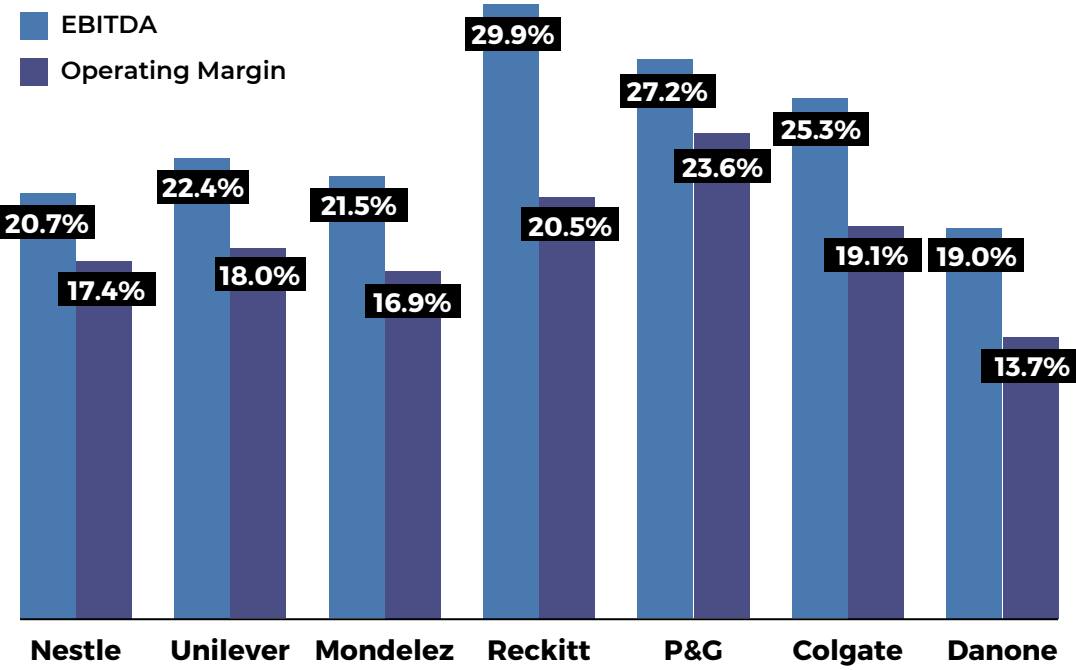
Number one EDP Company

With a vast and incredibly diversified portfolio, Unilever has seen increases in its revenue in recent years, as well as a dilution of costs and a decrease in its general and administrative expenses.



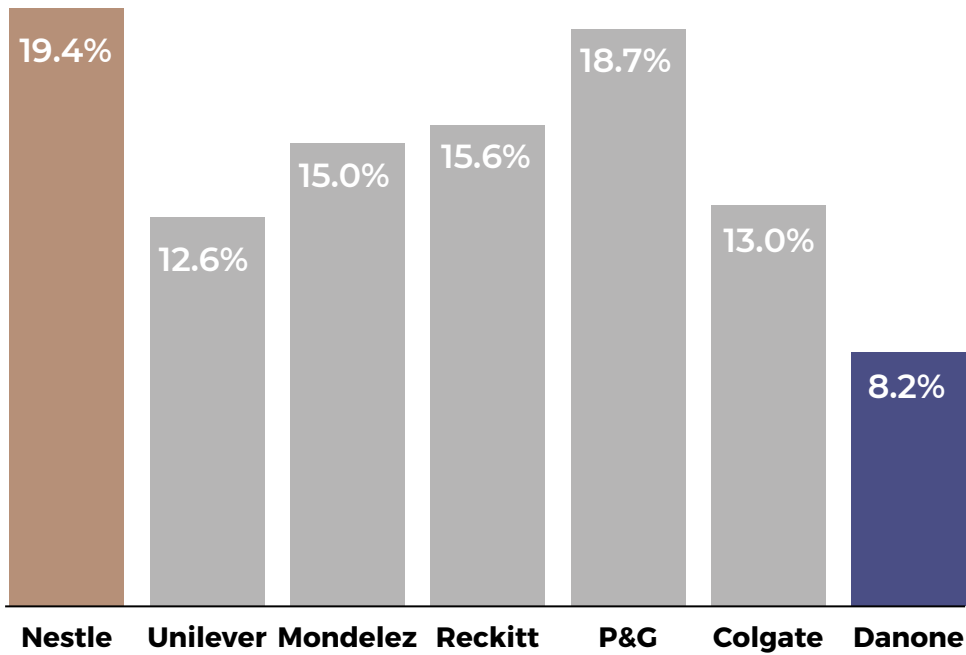
When looking at the margins of Danone and its peers, we realize that Danone is below average in terms of EBITDA, operating and net margins. In addition, we compared ESG metrics and realized that analyzing this alone is insufficient.

9 Ebitda and Operating Margin



Both its EBITDA margin and its operating margin are the lowest compared to the sector in which Danone operates, showing that the operation of its peers has been more efficient in recent times.

11 Net Margin

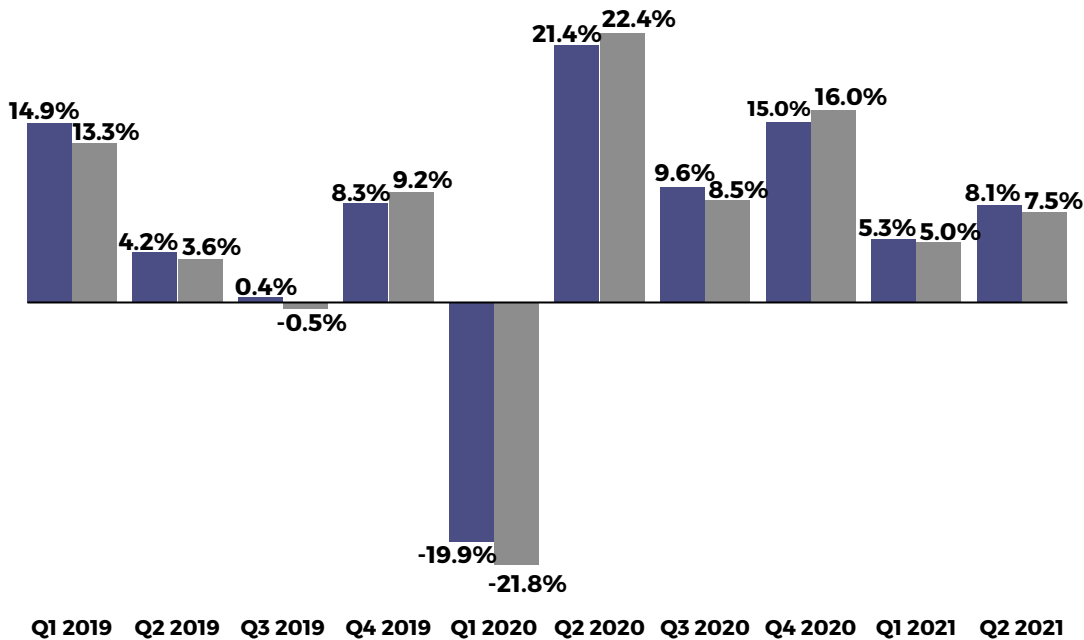


Through this margin, we realize that the problem of generating shareholder value is there. While its asset turnover and leverage are similar, the net margin of the Swiss giant differs from the French company, having its margin greater than twice.

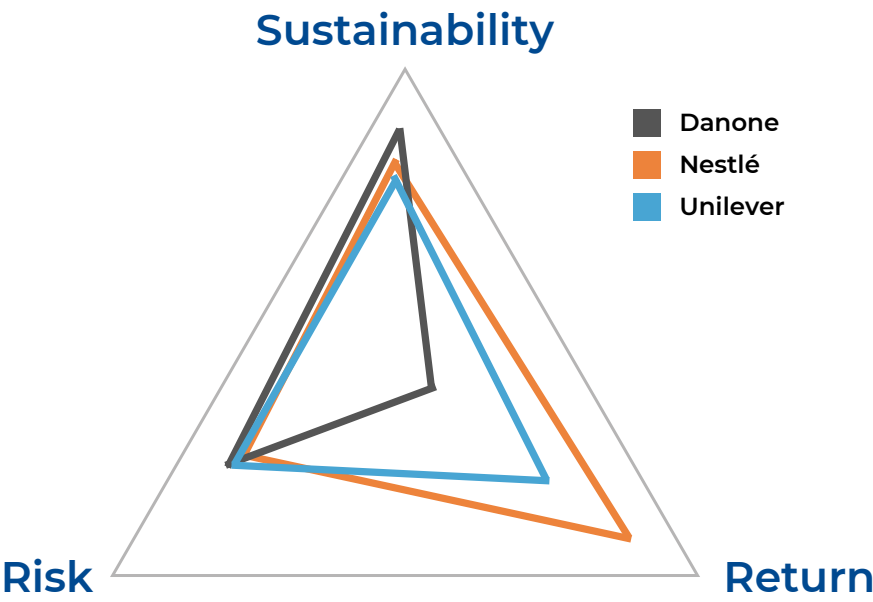
10 ESG positioning and why is shallow to justify the asset discount just by that

Danones plan was to be the first 100% B corp company in the world by 2025. It excessive capital allocation on ESG practices was not the companys problem on generating return for its shareholders, but mostly the improvement in sustainability was not enough – even for responsible shareholders – to compensate for the drop in return.

When comparing ESG funds and non ESG funds returns in the last year, we can see that there is not a huge difference between than, as well as a tripod comparison between Danone and its peers.

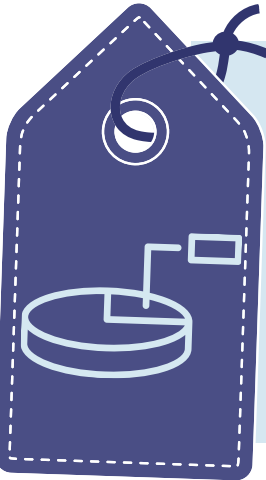


12 The Tripod

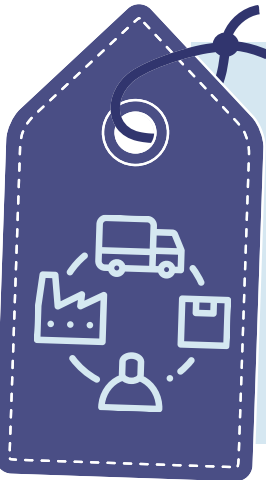


The tripod illustrates precisely why it is shallow to justify the lack of return to shareholders due to ESG practices. Unilever and Nestle, companies considered A and AA respectively in terms of ESG, have been generating returns for their shareholders in recent years, while Danone has been performing below expectations.

So why Danone is so discounted?



In recent years we have seen a notable increase in the price of milk in the sector. In this segment, market leaders such as Danone and Nestlé have suffered share losses to private label, especially during the pandemic. This moment, characterized by a notable depreciation of the population's purchasing power, was decisive for an unfavorable environment for these companies, which under a more premium bias, were exchanged for popular peers.



Many factors affected the industry, such as problems in supply chain, inflation, and an increase in energy, transportation, packaging and commodities wich were aggravated by Danone´s mistakes in capital allocations. Therefore, the company costs and expenses were above the industry average. In addition, the acquisition of whitewave, although it has been adding a lot to the French company's portfolio and making Danone grow in the United States, proved to be an expensive purchase, negotiated at an EV/EBITDA of 26.5x



It is undeniable that the exchange between emmanuel faber and Antoine de Saint-Affrique affected the performance of the stock in the last year. Voted by 10 of the 16 directors of the board, the exchange has already generated some changes in the short term, such as a change in the company's strategy, in addition to a rebalancing of its portfolio, for example. However, it is undeniable that a change of this magnitude does not raise doubts for investors, even if a change in positioning was necessary for some.

	P/E	EV/EBITDA
Danone	15.7X	12.8X
Nestle	25.4X	21.9X
Mondelez	20.0X	16.8X
Unilever	16.5X	12.3X
Reckitt	18.2X	20.2X
P&G	24.5X	22.7X
Colgate	22.3X	17.0X