

Danone SA

Europe Satellite*

Recommended since 07.11.2024

07.11.2024



Country FR	Market capitalization (bn) EUR 42,3	Perf. since reco. (%)
Sector Food & Beverage	Free float 93,1%	Danone SA 0,0
Factset BN-FR	Closing price EUR 65,48	Sector 0,0
ISIN FR0000120644	ESG Risk score* 18,0 Low risk	



Profile
 Danone is a global leader in the food industry, specializing in dairy products, plant-based alternatives, waters, and specialized nutrition. The group offers a range of products that meet consumers' health and nutrition needs across various categories, including enriched dairy products, plant-based options, and medical nutrition solutions for patients. Danone operates in over 120 countries and holds a dominant position in several segments, particularly high-protein dairy products and infant nutrition.

Strengths/opportunities

- ⊕ Diversified, health-focused portfolio aligned with consumer trends.
- ⊕ Growing demand for healthy and high-protein products.
- ⊕ Expansion in high-potential, targeted emerging markets.

Weaknesses/threats

- ⊖ Dependence on mature product segments in Europe, sometimes limiting rapid growth potential.
- ⊖ Increased competition in healthy and plant-based product segments.

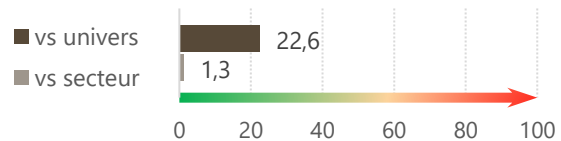
Investment case

- ⊕ Danone represents a unique investment model in the food sector, positioning itself as a global leader in segments such as dairy, plant-based alternatives, water, and specialized nutrition. Under the "Renew Danone" strategy implemented by the new management, Danone focuses on sustainable growth and maximizing shareholder value, while aligning with global health and wellness trends.
- ⊕ In the current environment, Danone benefits from strong demand for healthy and high-protein products, driving organic growth targets of 3-5% over the coming years. By capitalizing on its established brands and optimizing operations to achieve economies of scale, Danone strengthens its competitiveness and improves margins, supporting long-term value creation. The company is also well-positioned to capture growth in emerging markets, where the demand for specialized nutrition is increasing. Additionally, Danone's focus on enhanced profitability is reflected in its target of €3 billion in free cash flow and double-digit ROIC, making it an attractive investment for those seeking stability and yield.
- ⊕ Outlook for 2024-2026 indicates stable growth, with the majority driven by volumes. Danone continues to adjust its portfolio and manage costs while meeting the expectations of both consumers and shareholders.

Valuation

Danone is trading at a forward P/E of 17.5x, in line with its 10-year average and the Euro Stoxx 600 Food & Beverages sector. Value creation from management, combined with margin improvements and organic growth, should enable the stock to benefit from a favorable re-rating.

ESG risk vs. universe & sector (percentile)*



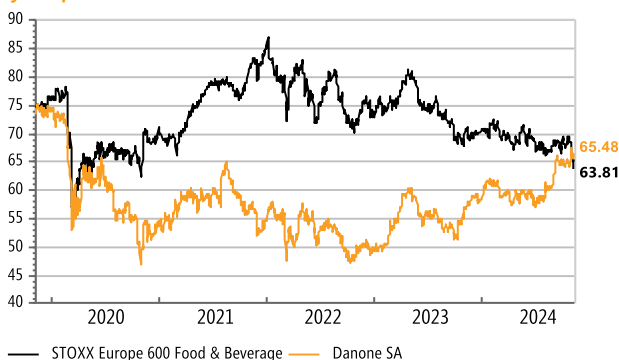
EUR	12/2023	2024e	2025e
Sales revenue (mio)	27 581	27 147	27 967
Sales growth	-0,1%	-1,6%	3,0%
EBIT adjusted (mio)	3 492	3 477	3 678
% of sales	12,7%	12,8%	13,2%
Net income (mio)	873	2 195	2 306
Net income growth	-7,6%	151,4%	5,1%
FCF/Sales	9,4%	9,1%	9,3%
Net debt/Ebitda	2,0x	1,9x	1,7x
Dividend yield	3,2%	3,2%	3,4%
PE	43,1x	18,6x	17,4x
P/BV	2,6x	2,4x	2,2x

Factset estimates

ESG - risks and key points

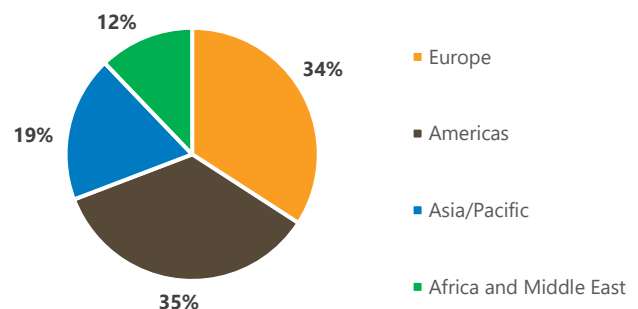
- ⊕ As an ESG leader, Danone targets carbon neutrality by 2050, with a 50% reduction in emissions by 2030 (rated Low Risk).
- ⊕ Commitment to regenerative agriculture and circular economy in its packaging.
- ⊕ Investment in renewable energy and low-carbon logistics to reduce its environmental footprint.

5-year performance vs sector



Source: FactSet

Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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