

7th July 2016

Food & Beverages

**Danone**

Price EUR63.31

**Acquisition of WhiteWave**

Fair Value UNDER REVIEW

**BUY**

Danone has announced that it will acquire WhiteWave for USD12.5bn in an all-cash transaction. The group indicated total EPS accretion of 10%, based on expected synergies (USD300m by 2020). This transaction will increase the weight of the United States and strengthens its exposure to fast-growing categories. Fair Value under review before the conference call at 9am CEST.

**ANALYSIS**

- This morning, Danone has announced that it will acquire WhiteWave for USD56.25 per share in cash, ie a premium of around 24% over the 30-day average closing trading price. This represents an EV of USD12.5bn and a multiple of EV/EBITDA of 15.2x after synergies. The transaction has been approved by both board of directors and is expected to close by the end of the year. It will be fully financed with debt. Danone says it expects to maintain its investment grade rating.
- WhiteWave generates USD4bn of sales. Danone indicated it will be able to realize synergies of USD300m by 2020, representing 8% of WhiteWave 2015 sales and 80% of WhiteWave 2015 EBIT. It expects total EPS accretion of 10% based on expected synergies. We should see some accretion in the first year after closing.
- This transaction will increase the weight of the United States as percentage of group's sales, from 12% to 22%, and create a leading US dairy refrigerated player. It will also improve the adequation between consumer trends (towards healthier and sustainable drinking options) and Danone's portfolio.
- WhiteWave is a global company with platforms in North America and Europe and a portfolio of high-growth food and beverage categories which focus on premium organic dairy, non-GMO, plant-based alternatives to milk & yogurt, fresh foods, and coffee creamers. Its leading brands are Silk, So Delicious, Vega, Alpro, Provamel, Horizon Organic, Wallaby Organic, Earthbound Farm and International Delight. Since it went public in 2012, it has reported average sales growth of 19% and a doubling of its operating income.

**VALUATION**

- Fair Value under review.

**NEXT CATALYSTS**

- Conference call at 9am CEST

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	BN FP
Bloomberg	DANO.PA
Reuters	66.3 / 53.1
12-month High / Low (EUR)	41,525
Market Cap (EUR)	48,722
Ev (BG Estimates) (EUR)	1,648
Avg. 6m daily volume (000)	6.2%
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.8%	2.8%	4.3%	1.7%
Food & Bev.	0.3%	2.3%	0.0%	-1.6%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	22,412	21,785	22,722	23,792
% change		-2.8%	4.3%	4.7%
EBITDA	NM	NM	NM	NM
EBIT	2,892	2,978	3,183	3,388
% change		3.0%	6.9%	6.4%
Net income	1,791	1,844	1,988	2,144
% change		3.0%	7.8%	7.9%

	2015	2016e	2017e	2018e
Operating margin	12.9	13.7	14.0	14.2
Net margin	8.0	8.5	8.7	9.0
ROE	10.2	15.4	15.4	15.3
ROCE	10.7	10.8	11.4	11.9
Gearing	61.6	55.8	47.3	39.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.93	3.02	3.26	3.51
% change	-	3.1%	7.8%	7.9%
P/E	21.6x	20.9x	19.4x	18.0x
FCF yield (%)	4.0%	4.1%	4.3%	4.5%
Dividends (EUR)	1.60	1.65	1.78	1.92
Div yield (%)	2.5%	2.6%	2.8%	3.0%
EV/Sales	2.2x	2.2x	2.1x	2.0x
EV/EBITDA	x	x	x	x
EV/EBIT	17.1x	16.4x	15.1x	14.0x



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BUY ratings 56.8%

NEUTRAL ratings 33.8%

SELL ratings 9.5%

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