

11th November 2016

Food & Beverages

Danone

Price EUR58.00

Bid target WhiteWave posts weaker-than-expected revenues

Fair Value EUR71 (+22%)

NEUTRAL

Bloomberg	BN FP
Reuters	DANO.PA
12-month High / Low (EUR)	70.3 / 58.0
Market Cap (EUR)	38,042
Avg. 6m daily volume (000)	1 605

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.0%	-15.6%	-4.9%	-6.9%
Food & Bev.	-8.3%	-10.1%	-6.8%	-10.0%
DJ Stoxx 600	-0.9%	-1.5%	0.8%	-7.4%

	2015	2016e	2017e	2018e
P/E	19.8x	18.9x	16.9x	15.4x
Div yield (%)	2.8%	2.9%	3.2%	3.6%

ANALYSIS

- Q3 revenues amounted to USD1.05bn vs consensus USD1.10bn. This was due to SAP implementation, supply chain related constraints and the change of packaging of Silk. WhiteWave now expects its net sales to be between 8.5% and 9.5% vs prior guidance of 10.5%-11.5%. Its adjusted EPS should stand at USD1.36-1.38 vs prior guidance of USD1.38-1.41 and consensus of USD1.41.
- This announcement does nothing to allay our concerns over the acquisition. In our downgrade note, we highlighted that Danone had probably purchased WhiteWave at a peak. The US group delivered 19% sales CAGR between 2012 and 2015 while the consensus sales estimate for 2016 was +11% (before the warning). The other reasons for our cautiousness were the bad track record of Danone and the expensive price. The company has offered USD56.25 per share in cash, implying an EV of USD12.5bn or an EV/EBITDA of 21.3x without the synergies. The two companies continue to work with the US Department of Justice and the European Commission to obtain regulatory approval. They now expect closing to occur in Q1 2017 vs by the end of 2016 previously.

VALUATION

- Our Neutral recommendation remains unchanged. Danone has lost its organic growth engines (Chinese water and baby food) while the rationale of the WhiteWave acquisition is not compelling.

NEXT CATALYST

- Danone will release its 2016 results on 15th February

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