



Insight: Danone Waters rebounds in Q3, group eyes acquisitions

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Danone said the growth of its waters division is coming from emerging markets as it posted an increase in sales for the third quarter of the year.



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Speaking at the group's third quarter earnings conference call today (23 October), chairman and CEO Franck Riboud told analysts that "almost all of the [water] volume growth is coming from emerging markets".

Sales in the bottled water division increased 4.6% for the three months to the end of September, compared to the same period of last year, on a like-for-like basis and at constant exchange rates.

The performance was driven by volume growth of 9.8%, which offset negative value (mainly country mix) effect of -5.2%. The third quarter rise helped water sales for the first nine months to hit the same level as last year (up 0.2%).

Volume growth continued to be entirely driven by the emerging markets - 52% of the sales of the division - with particularly strong performances in Indonesia, Mexico and Argentina.

However, while the performance of Spain and Japan remained weak, volumes in France, UK and Germany rebounded after having witnessed several quarters of declining performance, the company said.

Riboud also told analysts that the company has a strategy for accelerating its growth in "a few markets" and that it is looking at and working "as we speak, on small or medium sized acquisitions". He declined to comment further.

Independent analyst James Amoroso said the results were better than expectations at every key level: "The sharpening of pricing in fresh dairy has delivered excellent volume growth, as intended, whilst the volume rebounds in Water in the core European markets highlights that the cyclical and seasonal issues of the past year appear to have weighed more than the structural ones."

He added: "We are now starting to see Danone returning to its former glory. Franck Riboud's description of 2009 as 'a year in brackets' is proving to be credible."

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