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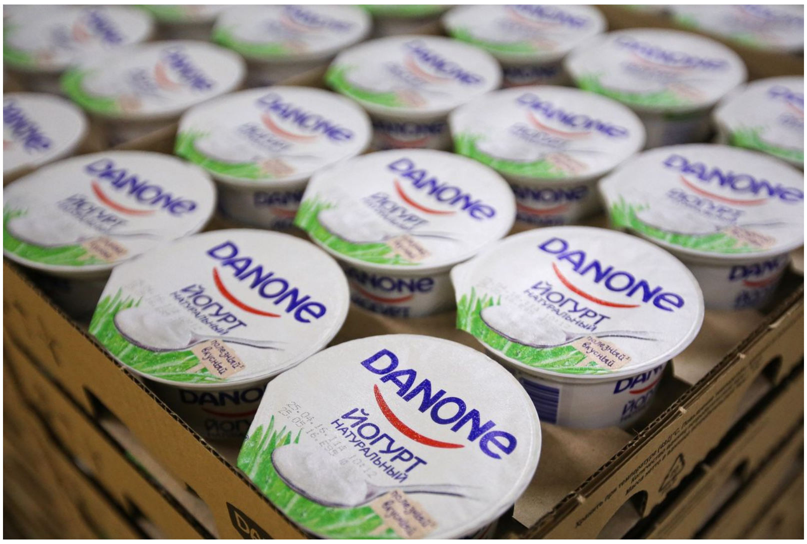
BUSINESS

CEO of Yogurt Giant Danone Steps Aside After Clash With Activists

Investors had called for Emmanuel Faber's ouster, citing Danone's lackluster share price and underperforming brands



A Danone dairy product plant in Russia. Activist investors have zeroed in on European packaged goods companies.

PHOTO: ANDREY RUDAKOV/BLOOMBERG NEWS

By Nick Kostov
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PARIS— Danone SA's DANOY **-2.51%** ▼ Chief Executive and Chairman Emmanuel Faber has stepped down from the yogurt maker after a clash with investors, marking a rare victory for activist funds in France's rigid corporate landscape.

Mr. Faber's leadership of the company, which makes Dannon and Activia yogurts, has come under intense scrutiny in recent weeks when activist investor Bluebell Capital Partners in London and Wisconsin-based investor Artisan Partners APAM **-3.29%** ▼ called for his ouster, citing the firm's lackluster share price and underperforming dairy and water brands. Another shareholder, Los Angeles-based Causeway Capital Management, called for Danone's management to be held accountable for missing targets.

On Monday, Danone said Gilles Schnepp —who previously ran a French electrical equipment group and joined the board in December—would take over as nonexecutive chairman. Two senior Danone executives—Véronique Penchienati-Bosetta, who leads the firm's international business, and CEO of North America Shane Grant—will lead the company while a search for a new chief executive is carried out.

"These are decisive first steps towards putting Danone back on a profitable growth trajectory," Bluebell Capital said Monday.

The company's shares rose 4% in early trading. Mr. Faber couldn't be immediately reached for comment.

Activist investors have zeroed in on European packaged goods companies in recent years, but their demands have struggled to gain traction on the continent, where corporate culture tends to favor continuity. Pernod Ricard SA, the French drinks giant, has been pressured by activist investor Elliott Management Corp., who called for better profit margins and governance. Nestlé SA found itself under pressure from activist investor Dan Loeb who demanded the Swiss firm sell its 23% stake in French cosmetics giant L'Oréal SA .

Danone's move brings the curtain down on Mr. Faber's six-and-a-half year tenure at a difficult time. The Paris-based company has been hit hard by the coronavirus pandemic, with the firm reporting a drop in sales for 2020. In particular, Danone's bottled water business, best known for the Evian and Volvic brands, struggled as sales to restaurants and bars fell because of widespread lockdowns. Meanwhile, the firm's baby-food business has been under pressure in China, where competition from local brands is rising and birthrates fell 15% last year.

Danone shares are up 11% since Mr. Faber took over in October 2014. Meanwhile, rival Nestlé's stock has risen 43%, and Unilever PLC by 55%.

Mr. Faber's performance has come under intense pressure in recent months. Despite buying U.S. dairy-alternative brand WhiteWave for $10.4 billion in 2016—a deal that more than doubled its North American business—the French firm has been losing market share to smaller rivals in some growing sectors for plant-based products.

In February, Mr. Faber pushed back against criticism, telling financial analysts that Danone met its margin target last year and over-delivered on cash-flow. He also said that Danone had increased market share in a number of key businesses in 2020, including infant milk formula in China, water in Europe and dairy in North America.

Earlier this month, Danone's board said Mr. Faber would step down as CEO while remaining chairman. That approach didn't satisfy the activist investors who said the company needed a clean break.

The investors were critical of Mr. Faber's restructuring plan, announced in November. The plan included a reduction in costs of 1 billion euros, equivalent to $1.2 billion, over the next three years. It called for more power to be delegated to country managers, costs at headquarters to be reduced and a strategic review of Danone's portfolio.

During his tenure, Mr. Faber became known for his interest in sustainable agriculture and talked frequently about the environmental and social impact of Danone's activities.

Danone last year adopted the French "entreprise à mission" framework, committing itself to pursue a social and environmental purpose beyond profit. The company also began reporting a carbon-adjusted earnings per share metric.

However, some people who worked with him say he was an uncompromising boss who pushed his employees too hard.

"Some people told him 'You're asking far too much of us. We can't sell yogurts, and at the same time save the planet,'" said one person close to Mr. Faber.

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