

APAC Zone introduction

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Agenda



Why APAC?



ABI APAC Journey and Dream



Why China?



China trends and implications



ABI China performance

Why APAC?



There are more people living inside this circle than outside of it.

Main countries/regions	Pop Mio
China	1,367
India	1,260
Indonesia	251
Bangladesh	158
Japan	127
The Philippines	99
Vietnam	90
Thailand	69
South Korea	50
Taiwan	23
Cambodia	16
Laos	7
Others	121
Total	3,638

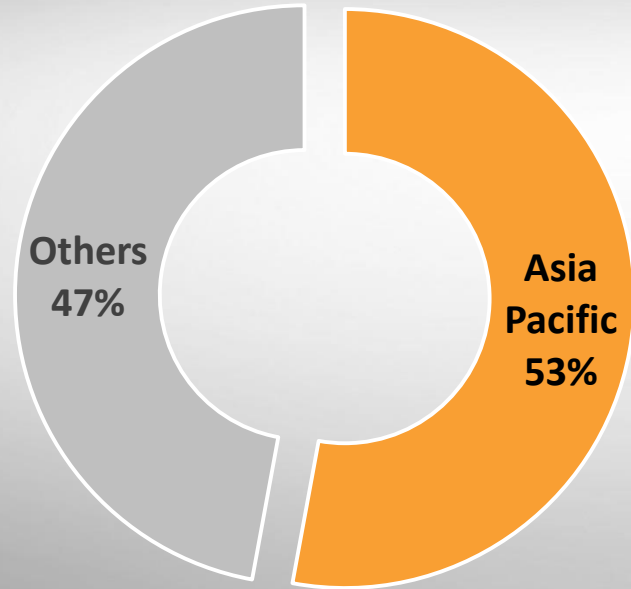
51.4% lives in the countries inside this circle

Why APAC?

Asia Pacific will account for 46% of world population growth between 2014 and 2025

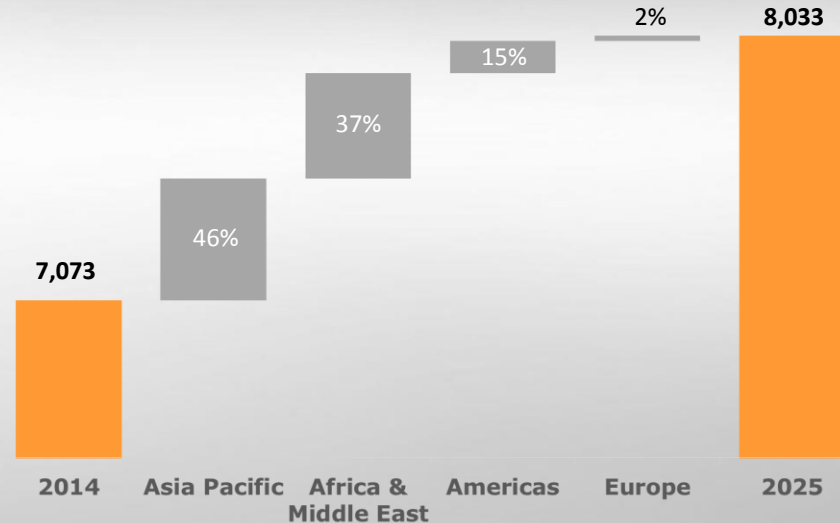
World population

% of people, 2014



Population growth

% of growth, 2014 - 2025

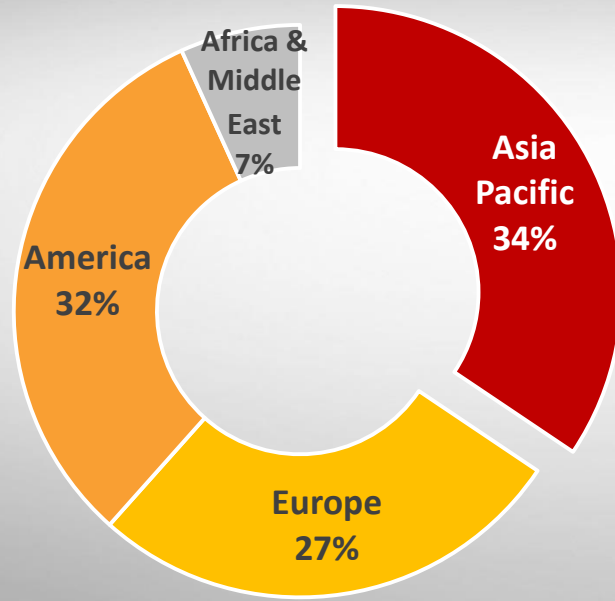


Why APAC?

Asia Pacific is the largest region in the beer industry, and will be responsible for 53% of the growth between 2014 and 2025

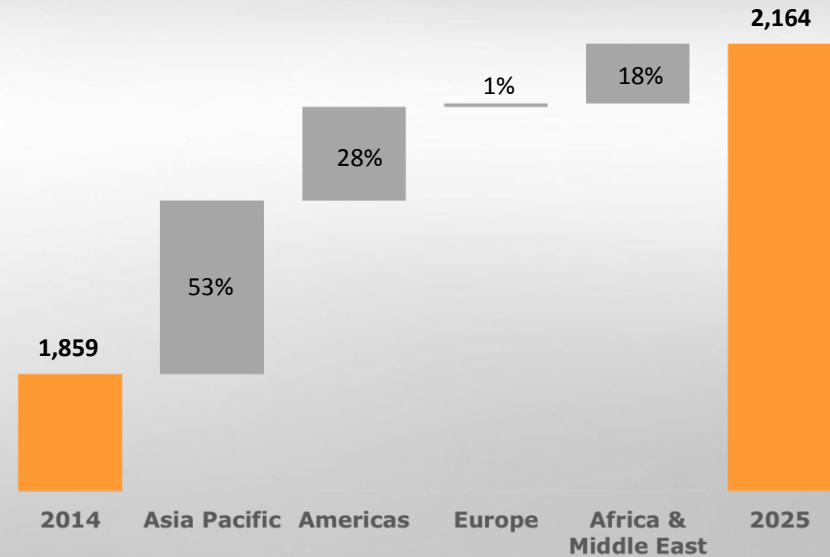
World beer industry

% of volume, 2014



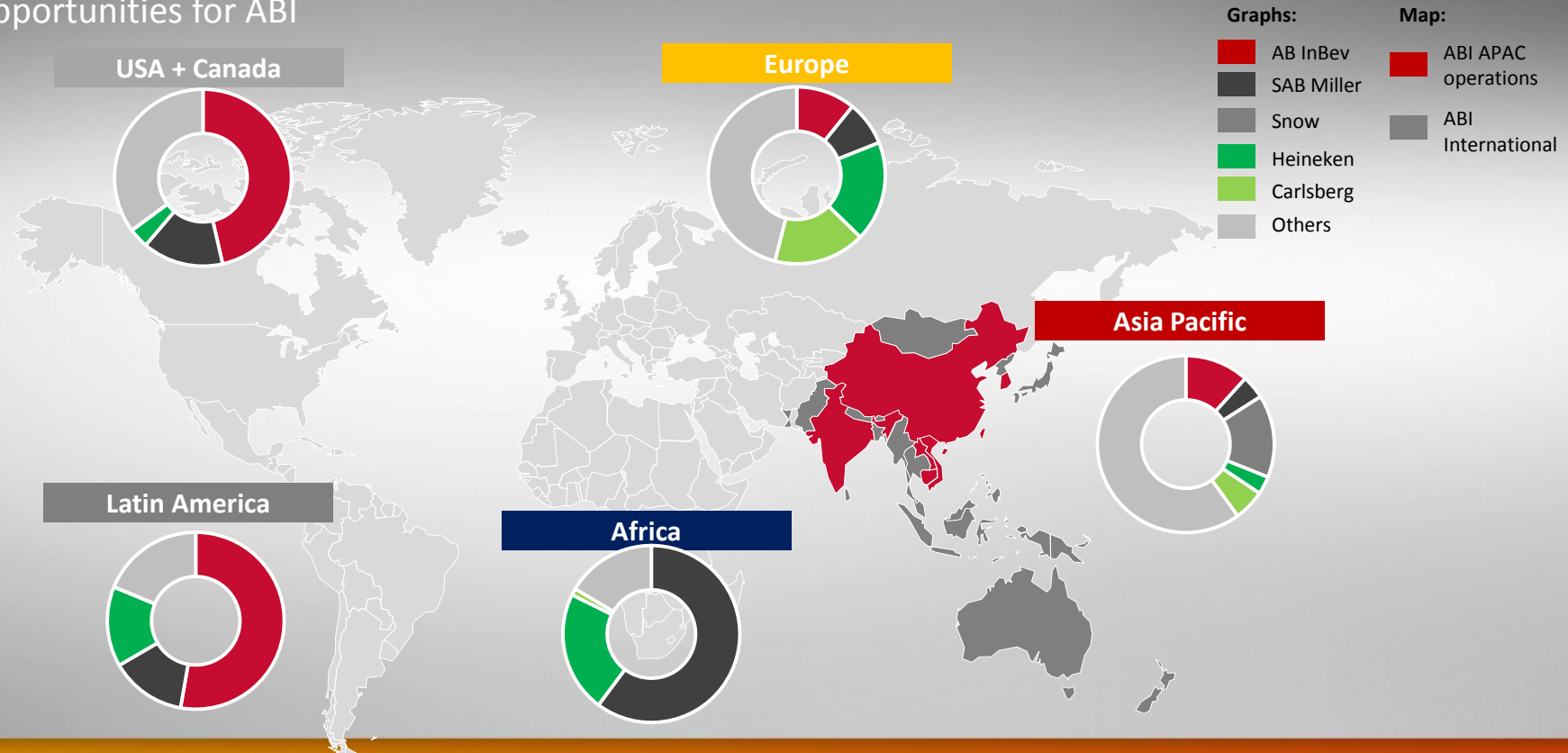
Volume growth

Mio HL; % of growth, 2014 - 2025



Why APAC?

Asia Pacific is still largely fragmented without a clear leader. There are several untapped opportunities for ABI



Agenda



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ABI APAC Journey and Dream



Why China?



China trends and implications



ABI China performance

Journey in Asia Pacific

Budweiser entered
China in 1995



Harbin



Asia Breweries

Ginsber and
Dafuhao



Vietnam
Brewery
Opened

1984

1995

1998 – 2000

2004

2006

2008

2013

2014

2015



Interbrew entered China by
providing technology
transfer to Zhujiang Brewery



Acquisition & partnerships
with several local leaders



Shiliang



Sedrin



AB and InBev
combination



Oriental Brewery in South
Korea

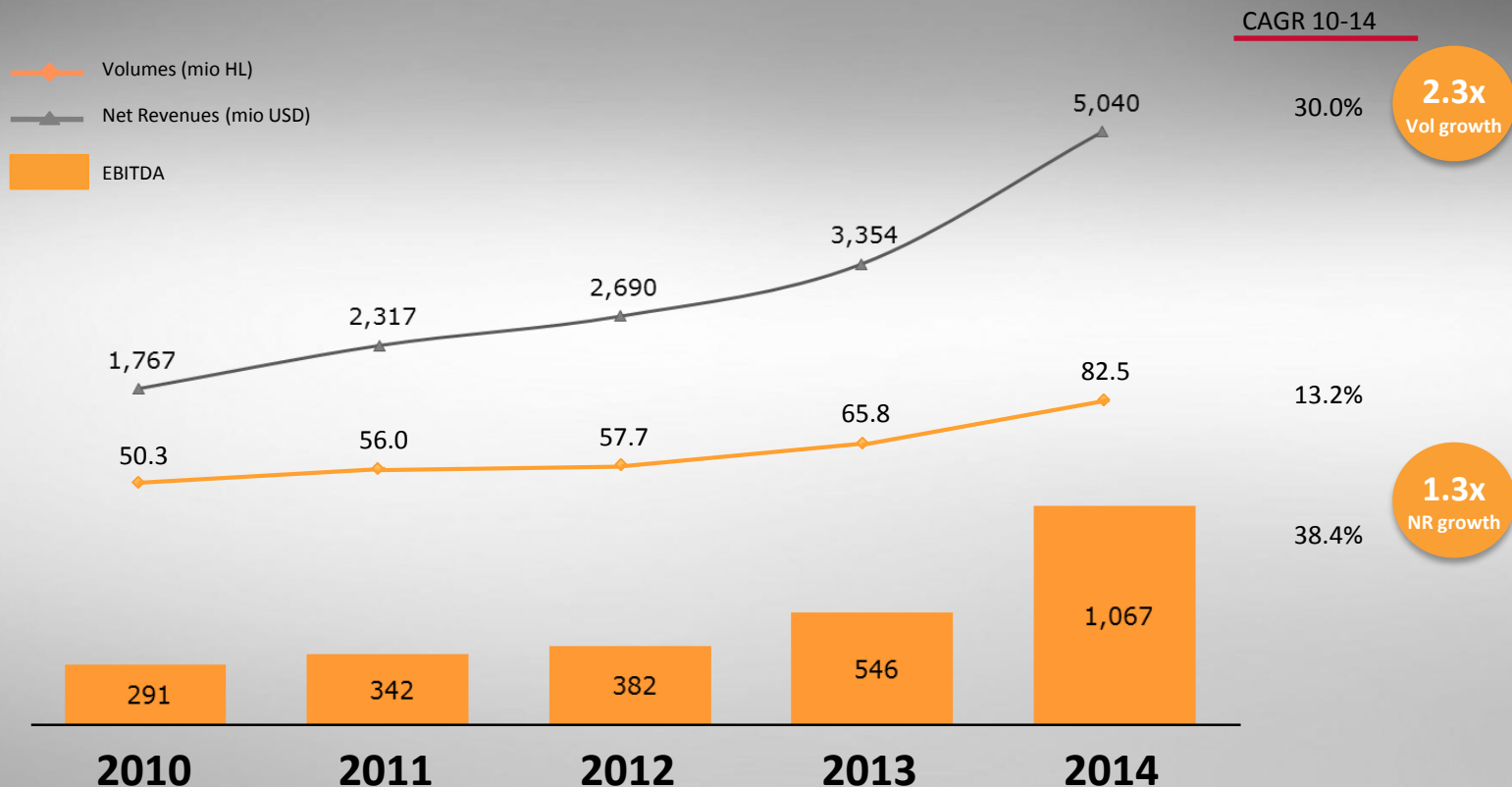
India JV buyout

Building up a unique brand portfolio

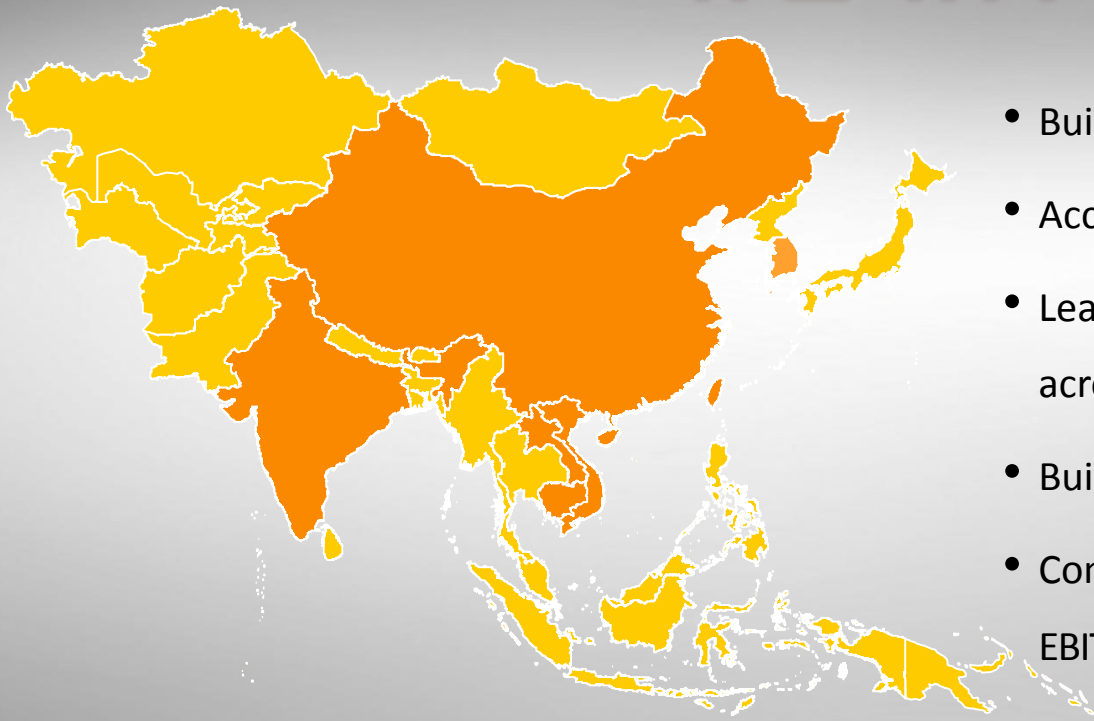


APAC Journey

In the last 5 years revenues grew 2.3x faster than volumes, and EBITDA grew 1.3x faster than revenues



#1 in Asia



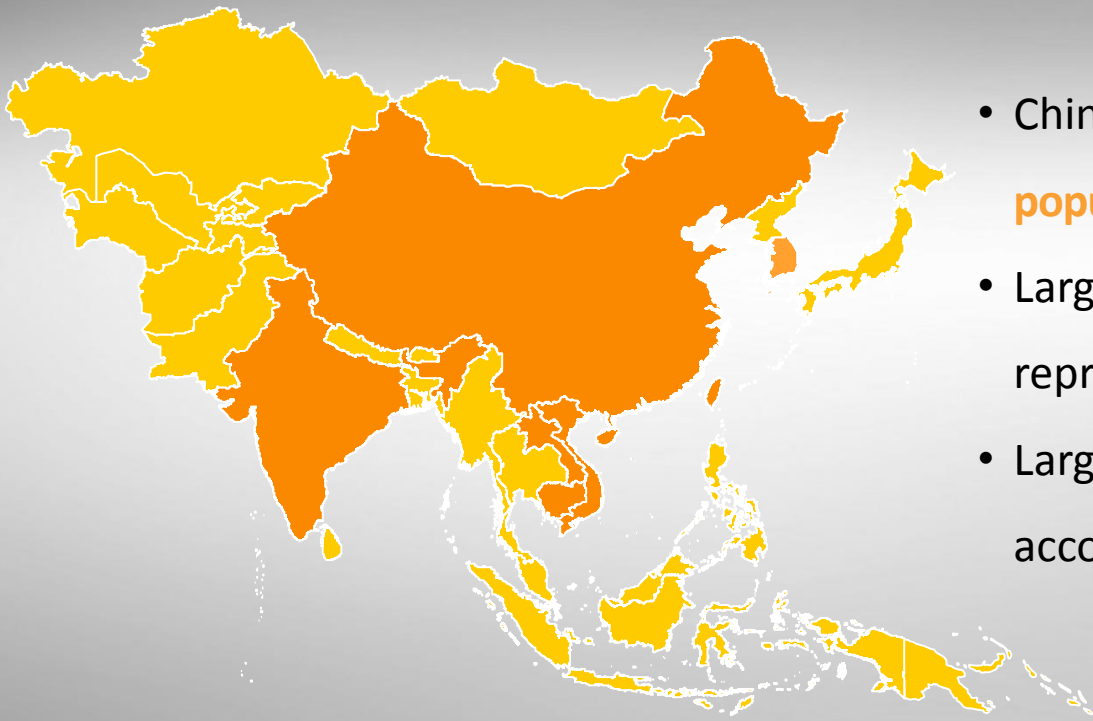
- Building strong and relevant **premium brands**
- Accelerating **top line growth**
- Leading **super premium & premium segments** across Asia Pacific
- Building leadership in **market share**
- Constantly pursuing **operational efficiencies** and EBITDA growing ahead of topline

Agenda

-  **Why APAC?**
-  **ABI APAC Journey and Dream**
-  **Why China?**
-  **China trends and implications**
-  **ABI China performance**

Why China

To be the #1 in Asia, we must win in China



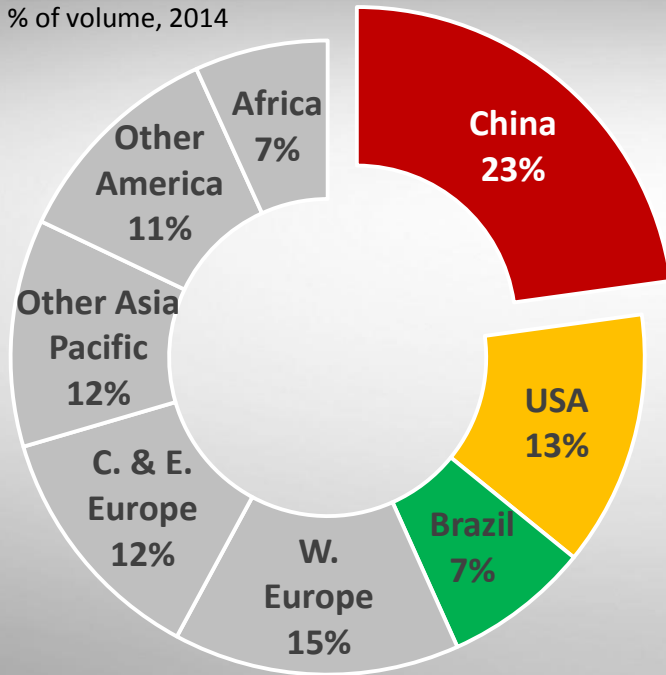
- China represents **37% of Asia Pacific's population**
- Largest economy in Asia Pacific region, representing **43% of the region's GDP**
- Largest beer market in the world, accounting for **66% of Asia Pacific's industry**

Why China – Beer industry

China has the largest beer industry in the world, by volume, and is expected to account for 31% of world volume growth in the next ten years

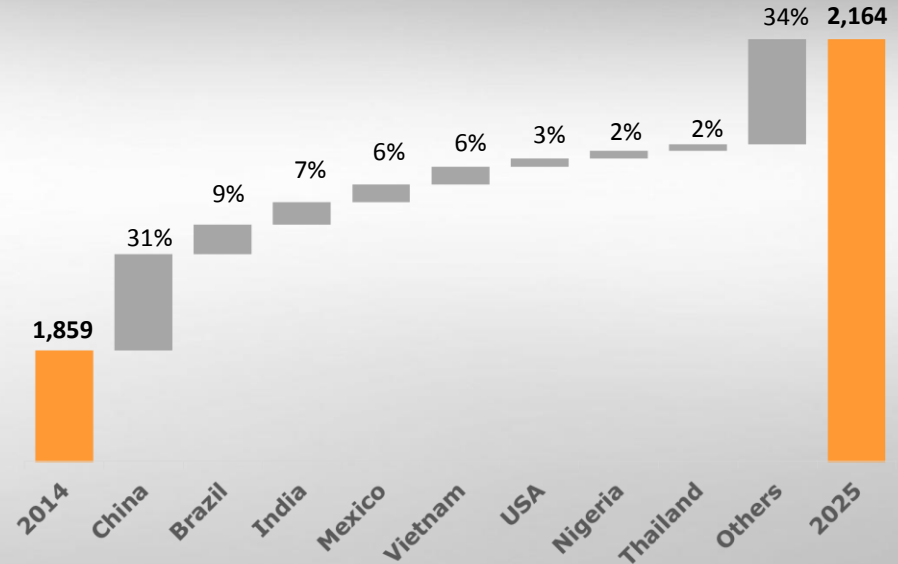
World beer industry

% of volume, 2014



Volume growth

Mio HL; % of growth, 2014 - 2025



Agenda

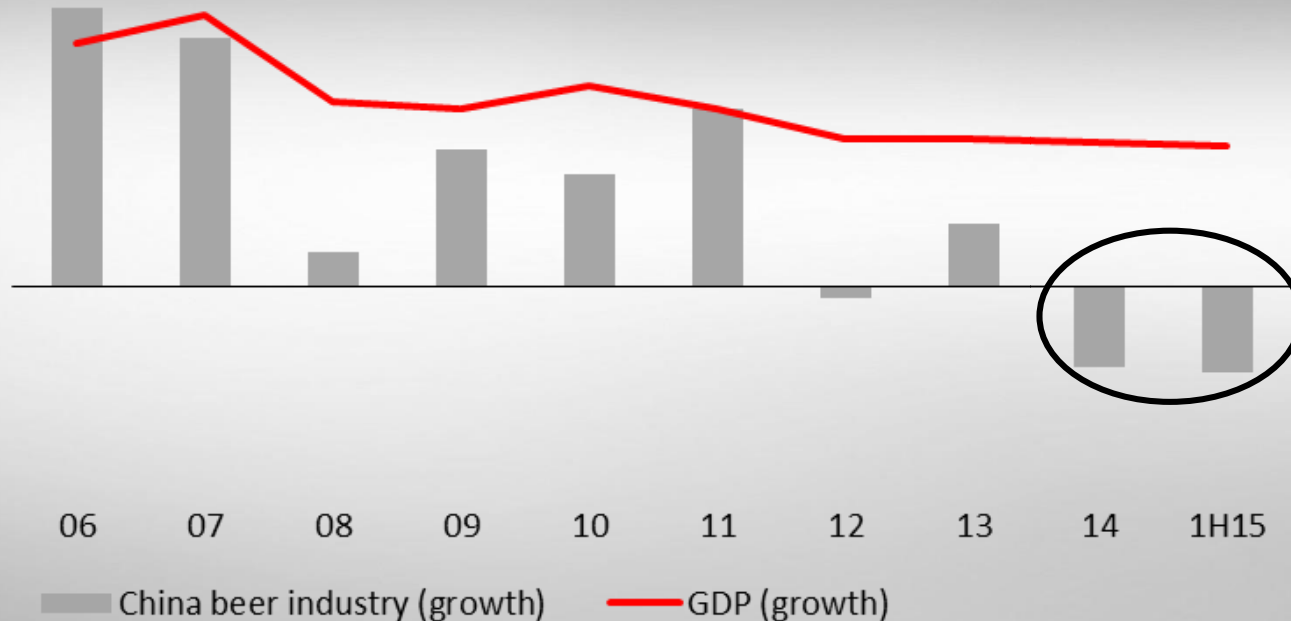
-  Why APAC?
-  ABI APAC Journey and Dream
-  Why China?
-  **China trends and implications**
-  ABI China performance

Trends & implications: Industry evolution

In the long term, there is a correlation between GDP and beer consumption. But GDP alone cannot explain short term variations in industry performance

GDP growth vs Beer industry growth

% pa; 2006 - 2014



Trends & implications: GDP

China is rebalancing the GDP from investment-led to a consumption-led growth

China 5YP Evolution

	11 th Five Year (2006-2010)	12 th Five Year (2011-2015)	13 th Five Year (2016-2020)
Economic Theme	Rapid GDP growth	Sustainable growth	Well-off society
GDP implied growth	~ 10.8	~ 7.5	~ 6.5
Investment GDP Share	~48%	~46%	~43%
Private consumption GDP share	~35%	~ 37%	~40%

Trends & implications: Industry evolution

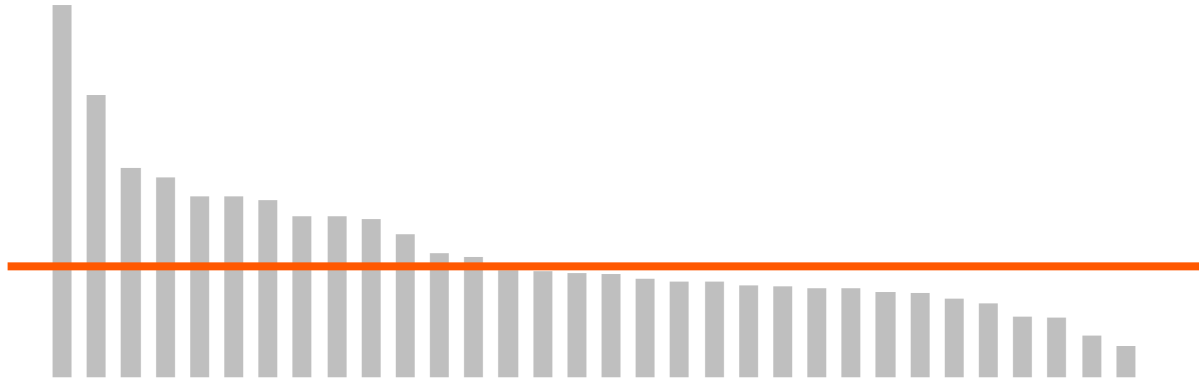
There are other factors that influence the industry in the short term other than GDP

Short term KPIs	2014	Going forward
GDP	↑	↑
Urbanization	↑	↑
Real disposable income	↑	↑
Employment conditions	↓	↑
Weather (temperature & precipitation)	↓	↔
FAI – Fixed Asset investment	↓	↔
PMI – Purchase Index	↓	↔
Beer industry growth	-4.2%	↑



China is too big and too complex to use averages





Looking beyond averages in China to win with the winners

Geographies



Segments



Channels



China – A continent by itself

Because of its size, averages can be misleading in China

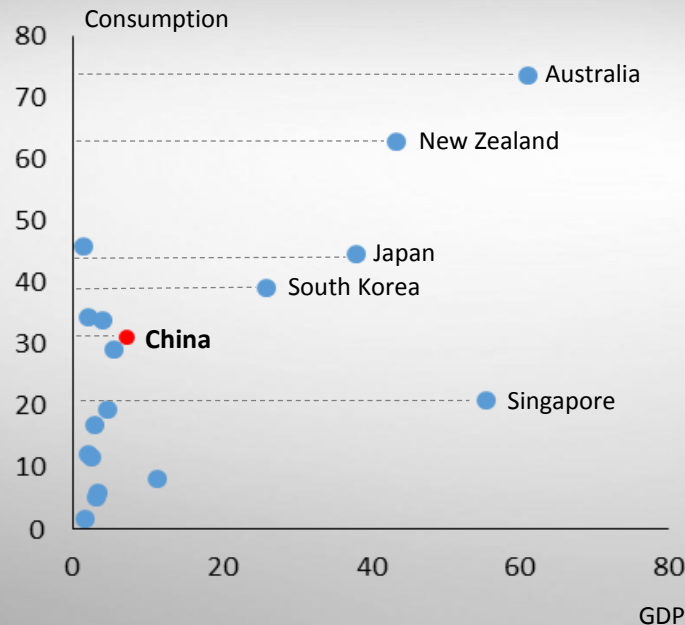


Looking beyond average: Geographies – Beer consumption

There is still space for China's beer industry to grow. Provinces with per capita consumption below the China average account for 45% of the beer market

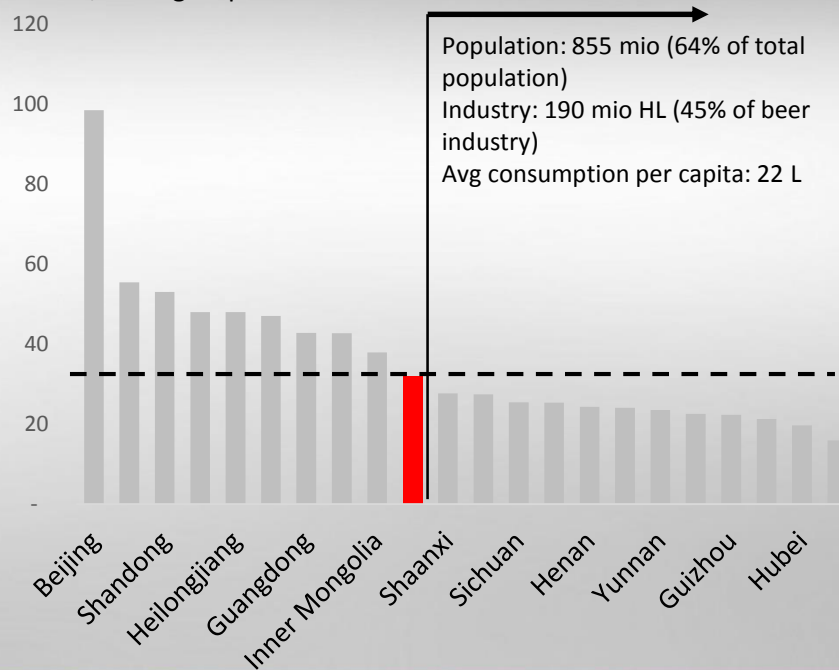
GDP vs Consumption

Per capita, thousand USD and liters



Consumption per capita

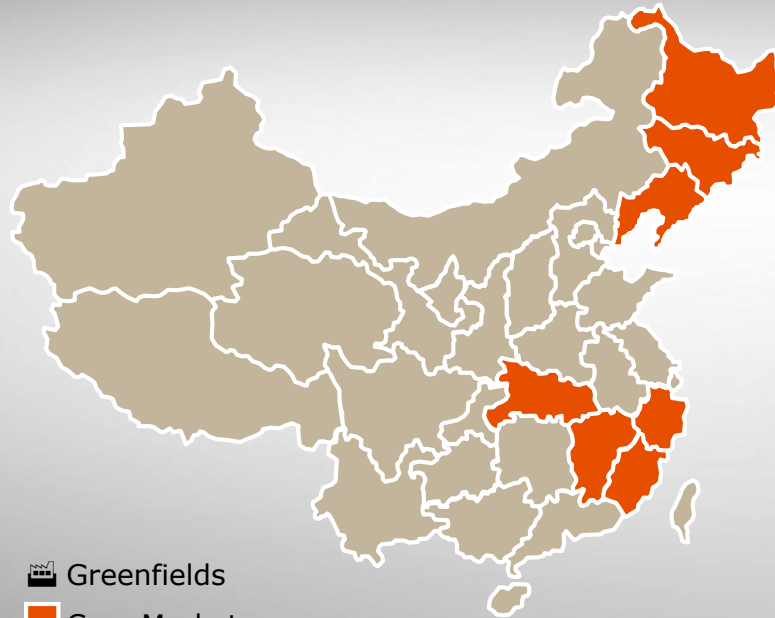
Liters; 20 largest provinces for beer



Geographical expansion

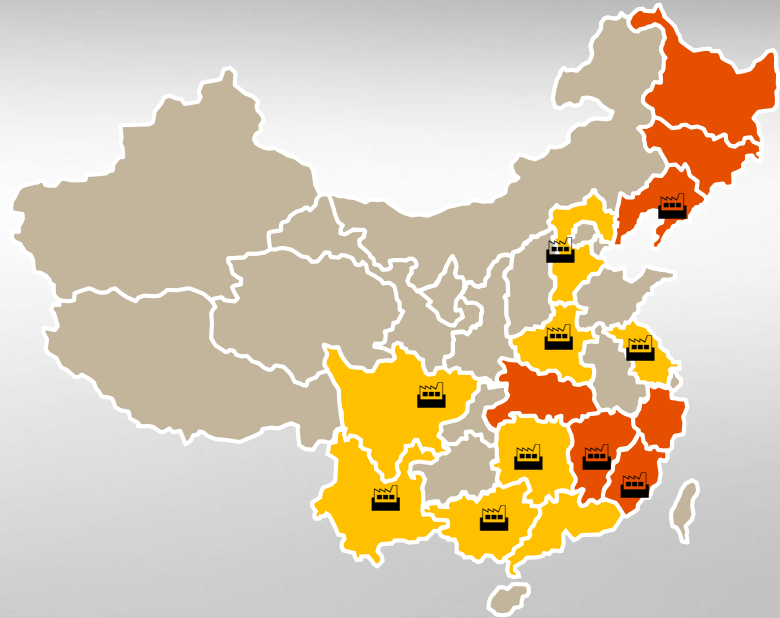
We have been expanding our footprint to regions with sizable markets and the highest potential for beer volume growth

Footprint - 2010



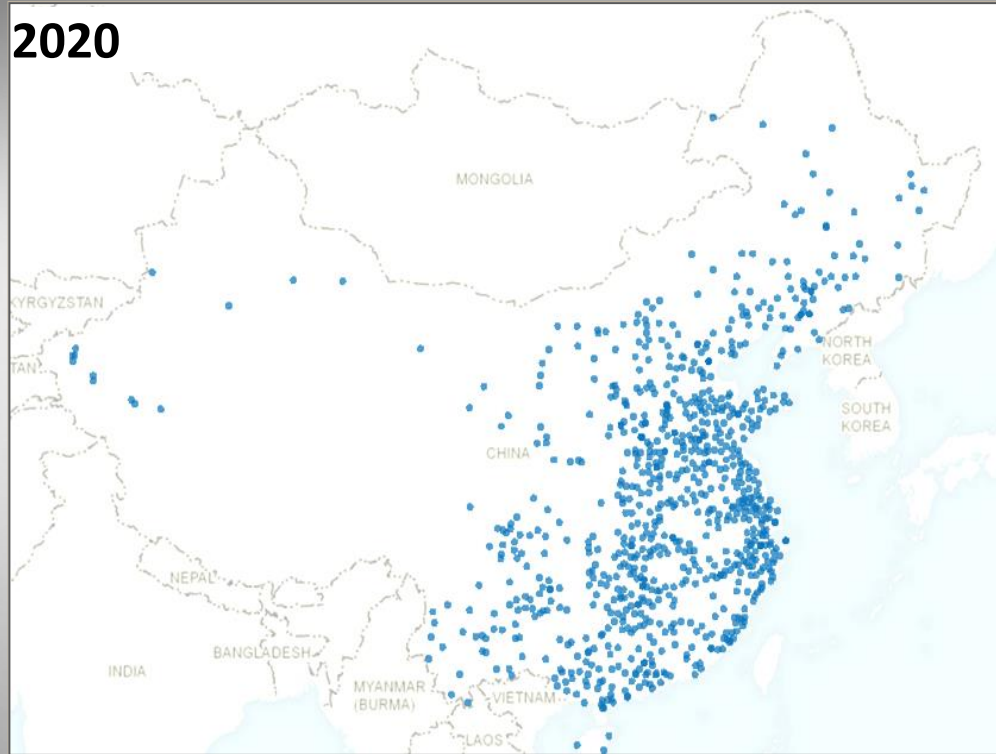
-  Greenfields
-  Core Market
-  Expansion Market

Footprint - 2015



China – Urbanization

Looking beyond provinces, and moving into pockets of growth at city level



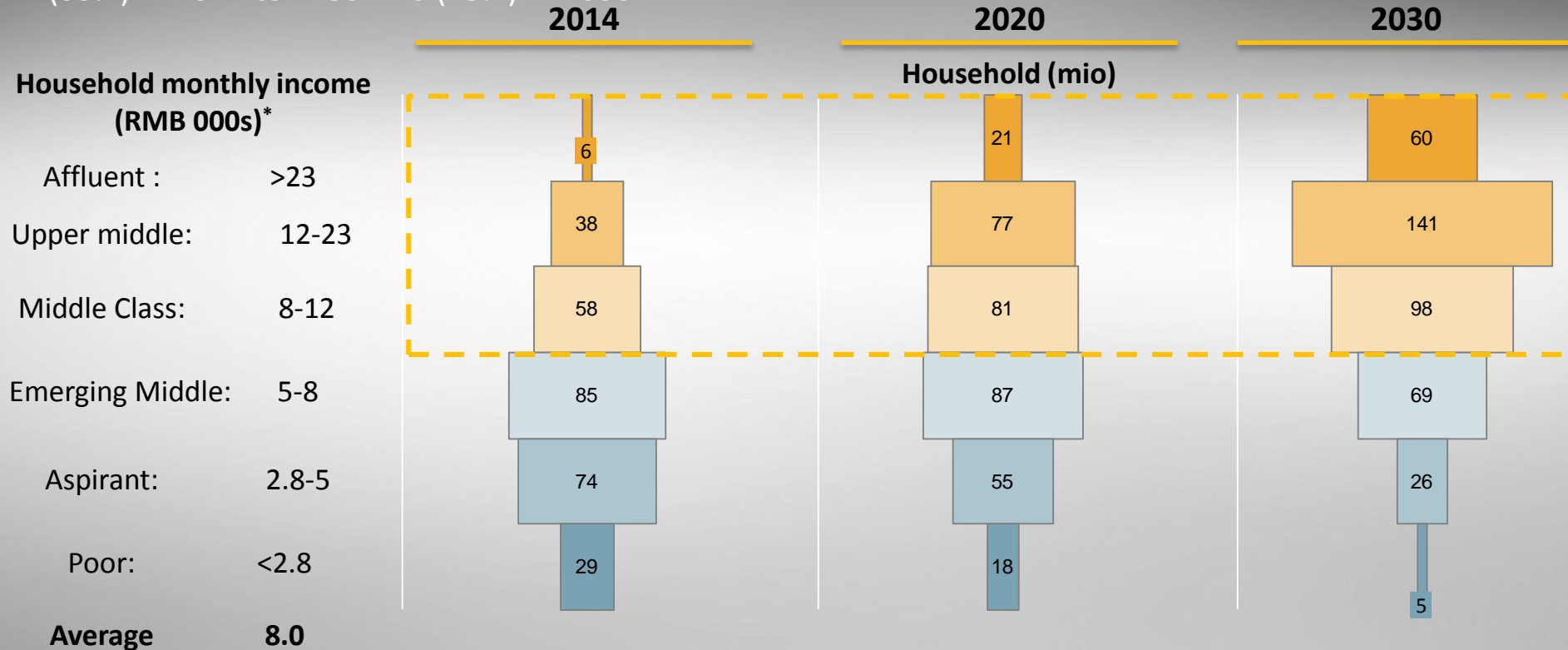
Cities / counties with 250,000 or more MACs*

Year	# of cities
2010	85
2020E	~300

* MAC: Middle and Affluent Class households

China – Consumer development

The number of urban middle & affluent class consumer (MAC) households will grow from ~102 mio (35%) in 2014 to ~299 mio (75%) in 2030



* Disposable income after tax in 2014 value

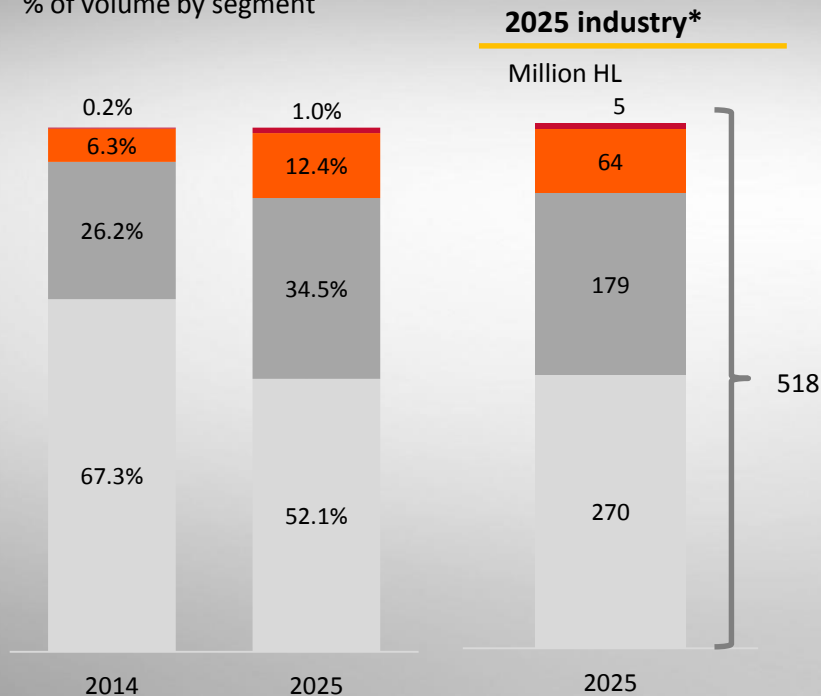
Source: BCG 2014 China Income Forecast Model

Looking beyond average: Consumers – industry segments

Premium and Super Premium segments are growing ahead of the average and have 5x-9x the profitability of the core & value segment

Industry by segment

% of volume by segment



Segment comparisons

Indexed at 100 for core & value segment

	Price to consumer	Net revenues	Gross Margin
Super Premium	5.0x	7.0x	9.0x
Premium	2.5x	3.0x	5.0x
Core+	1.5x	1.5x	1.6x
Core & Value	100%	100%	100%

* Simulation for illustrative purposes

Source: BCG

Brand portfolio

ABI is well positioned to lead the way in the Super Premium, Premium and Core+ segments

Super
Premium



Premium



Core+



Harbin Ice

Core &
Value

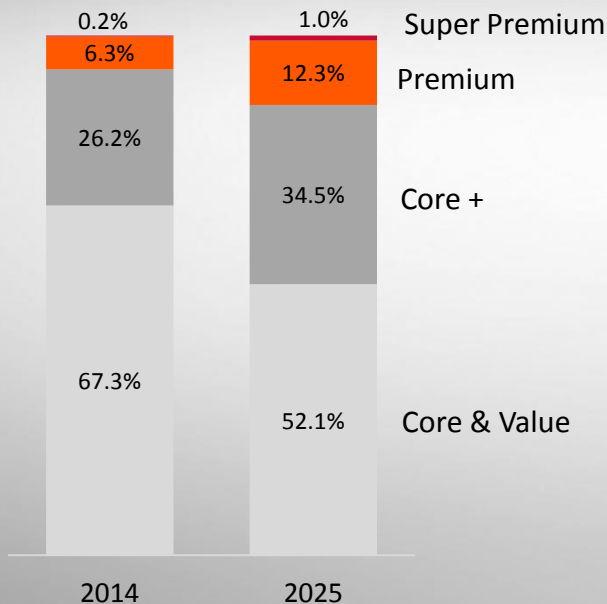
Regional
brands

Industry evolution by segment

Super Premium, Premium and Core+ segments are growing at a significant pace, while the core & value segments are declining. ABI has outperformed in the most profitable segments

Industry by segment

% of volume by segment



Industry growth by segment

Volume growth by segment

	Industry growth				ABI growth vs industry*
	2012	2013	2014	2015 1H	
Super Premium	69.7%	23.1%	35.0%	30.5%	>3.0x
Premium	11.5%	11.5%	10.6%	10.0%	>2.0x
Core+	10.8%	12.1%	6.0%	4.8%	>1.5x
Core & Value	-4.3%	0.0%	-8.8%	-9.0%	~1.0x
Total	-0.6%	3.2%	-4.2%	-4.5%	

* In 2014

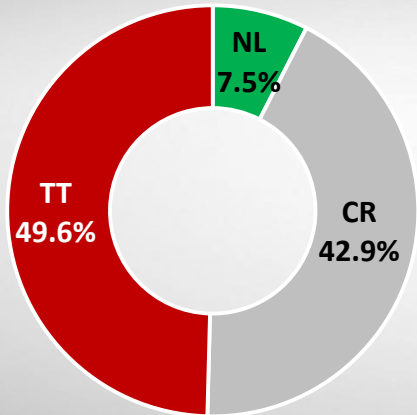
Source: Seema, LCA and BCG

Looking beyond average: Channels– Industry by channel

Modern channels are growing faster than traditional channels. ABI is overperforming the industry growth in all growing channels

Industry by Channel

% of volume by Channel *



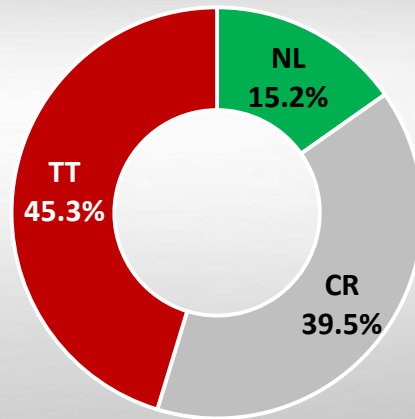
Volume growth 1H15 vs 1H14

% of volume by Channel

Channels	Industry	ABI
E-Commerce	+79.2%	> 4.0x
CVS	+9.3%	> 2.0x
NL	+8.6%	> 2.5x
CR	-1.5%	~ 1.0x
TT	-7.8%	~ 1.0x
Total	-4.5%	

ABI by Channel

% of volume by Channel *



TT Traditional Trade
CR Chinese Restaurant
NL Night Life
CVS Convinency Store

* CVS and E-Commerce lower than 1%

Winning with the winners

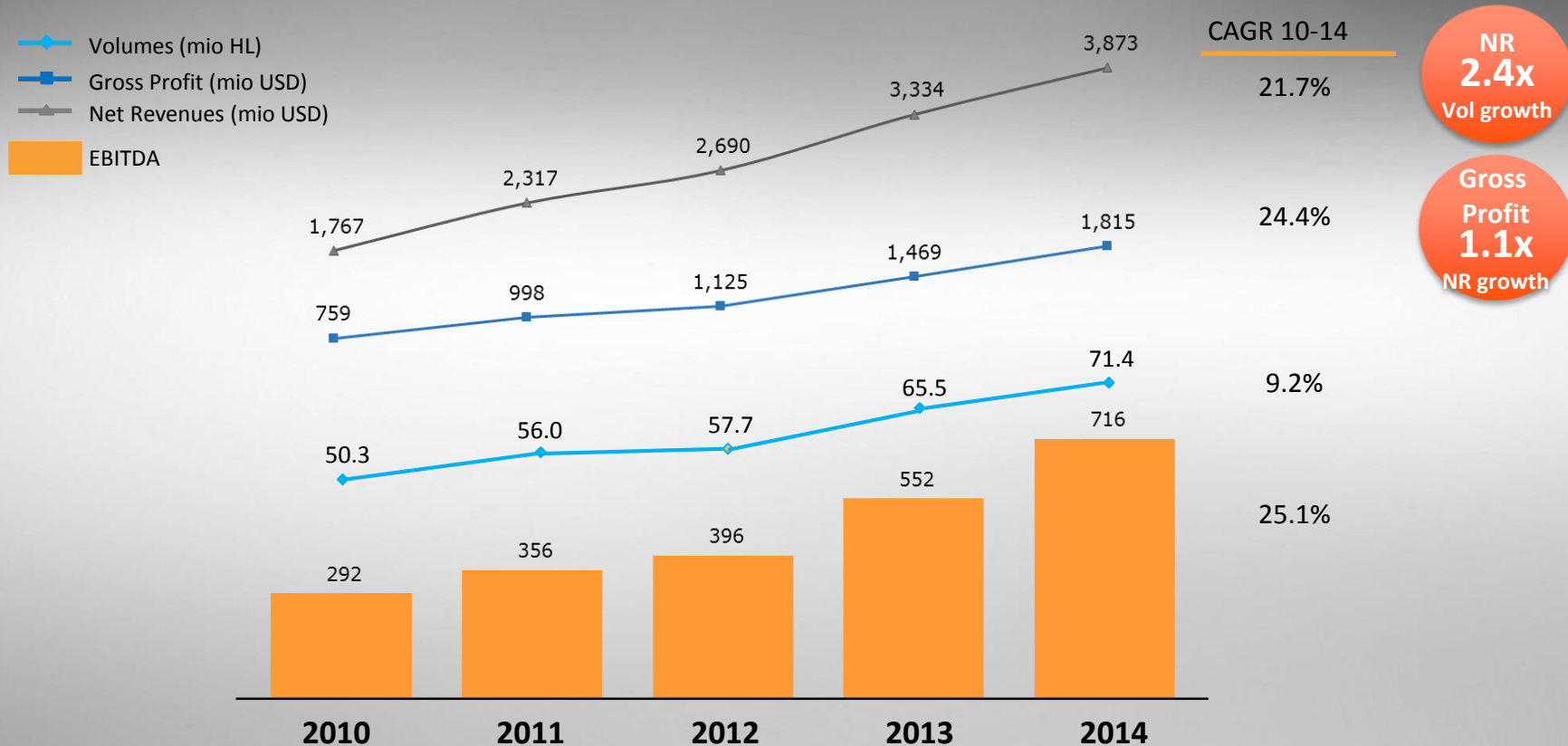
- China is too big and **too complex to use averages**
- **Looking beyond average in China to win with the winners** – Geographies, Segments and Channels
- Provinces with per capita consumption below the China average account for 45% of the beer market.
Urbanization will drive per capita consumption growth in these provinces
- Growth in the urban middle & affluent class consumer (MAC) households will drive **growth in the most profitable segments** (Super Premium and Premium)
- **Modern channels** are growing faster than traditional channels.

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China Journey

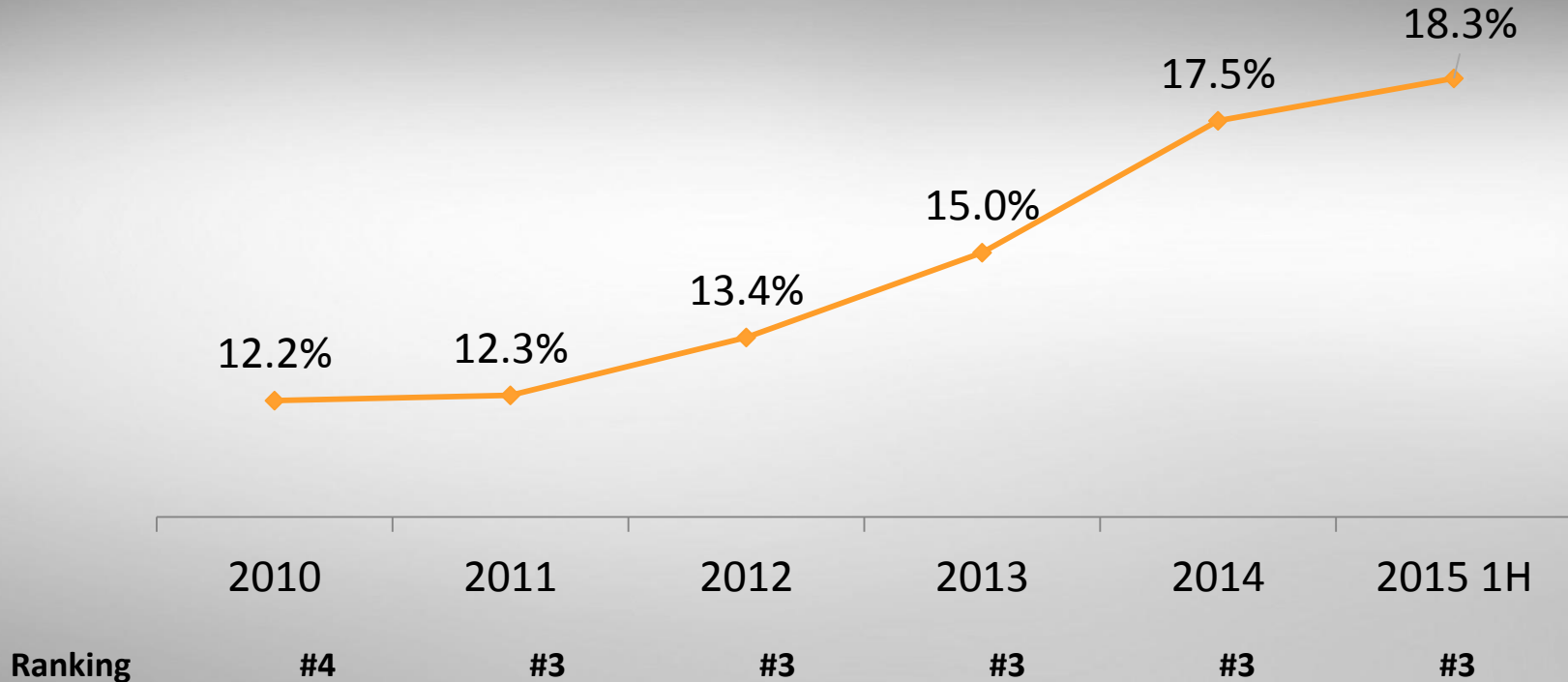
In the last 5 years revenues grew 2.4x faster than volumes and EBITDA grew 1.1x faster than revenues



Market share in China

ABI has significantly increased market share in China

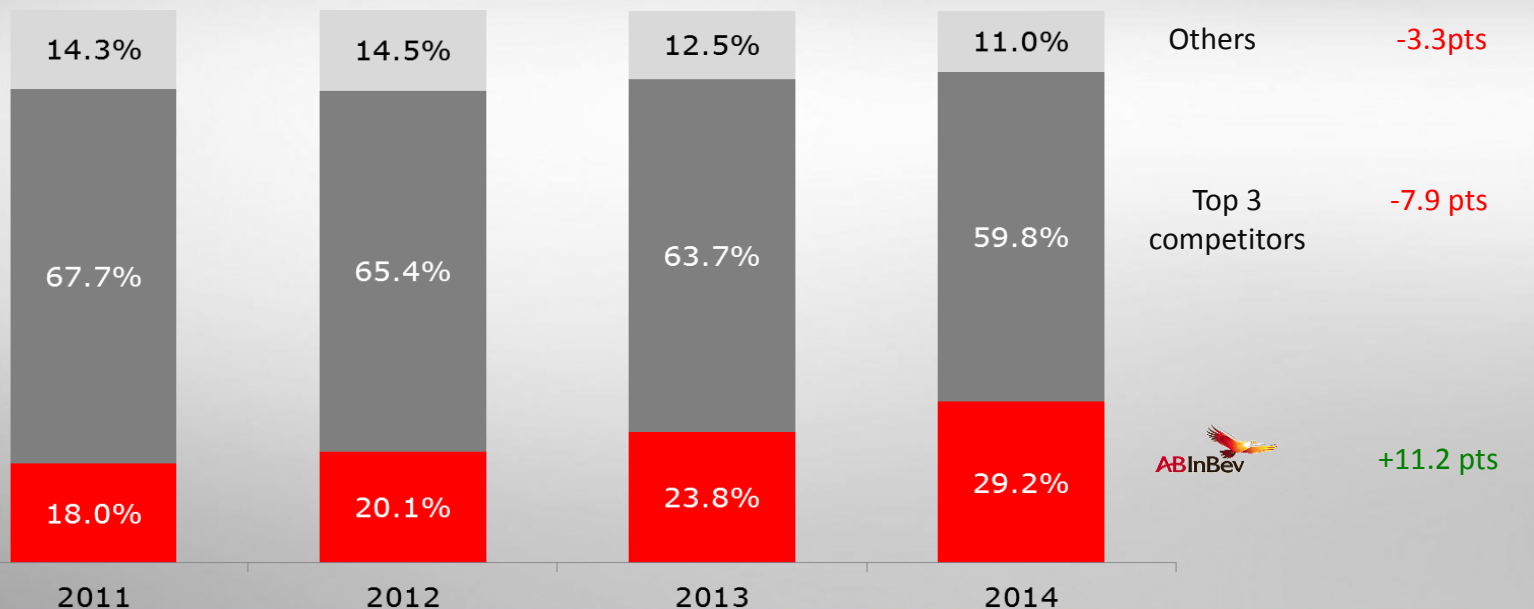
Volume market share in China



EBITDA pool

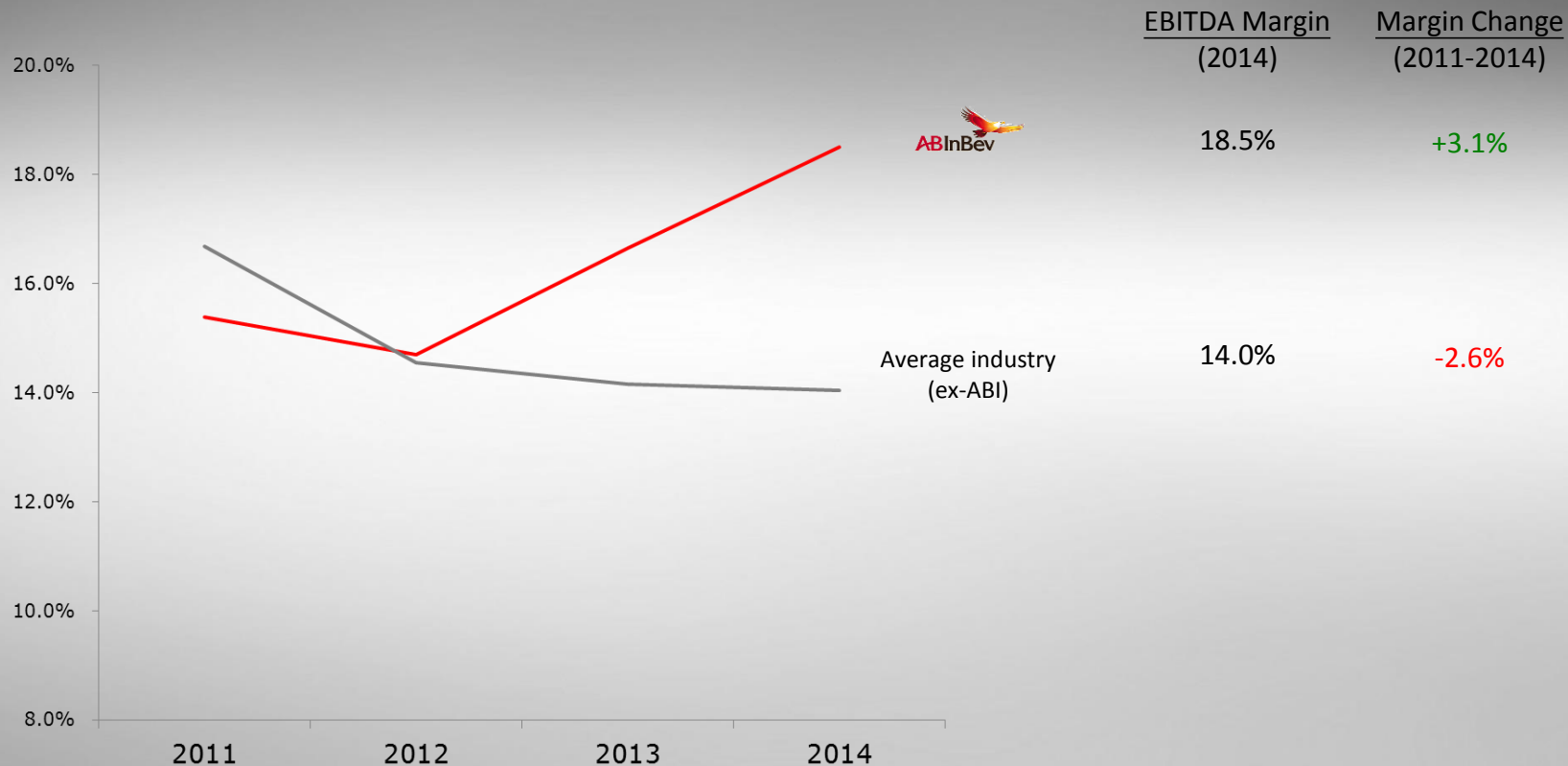
In 2014 ABI became the leader, capturing 29.2% of the EBITDA pool

- ABI's participation in the EBITDA pool is growing fast
- ABI is leading the way in EBITDA expansion
- ABI is well positioned to further expand participation in the EBITDA pool



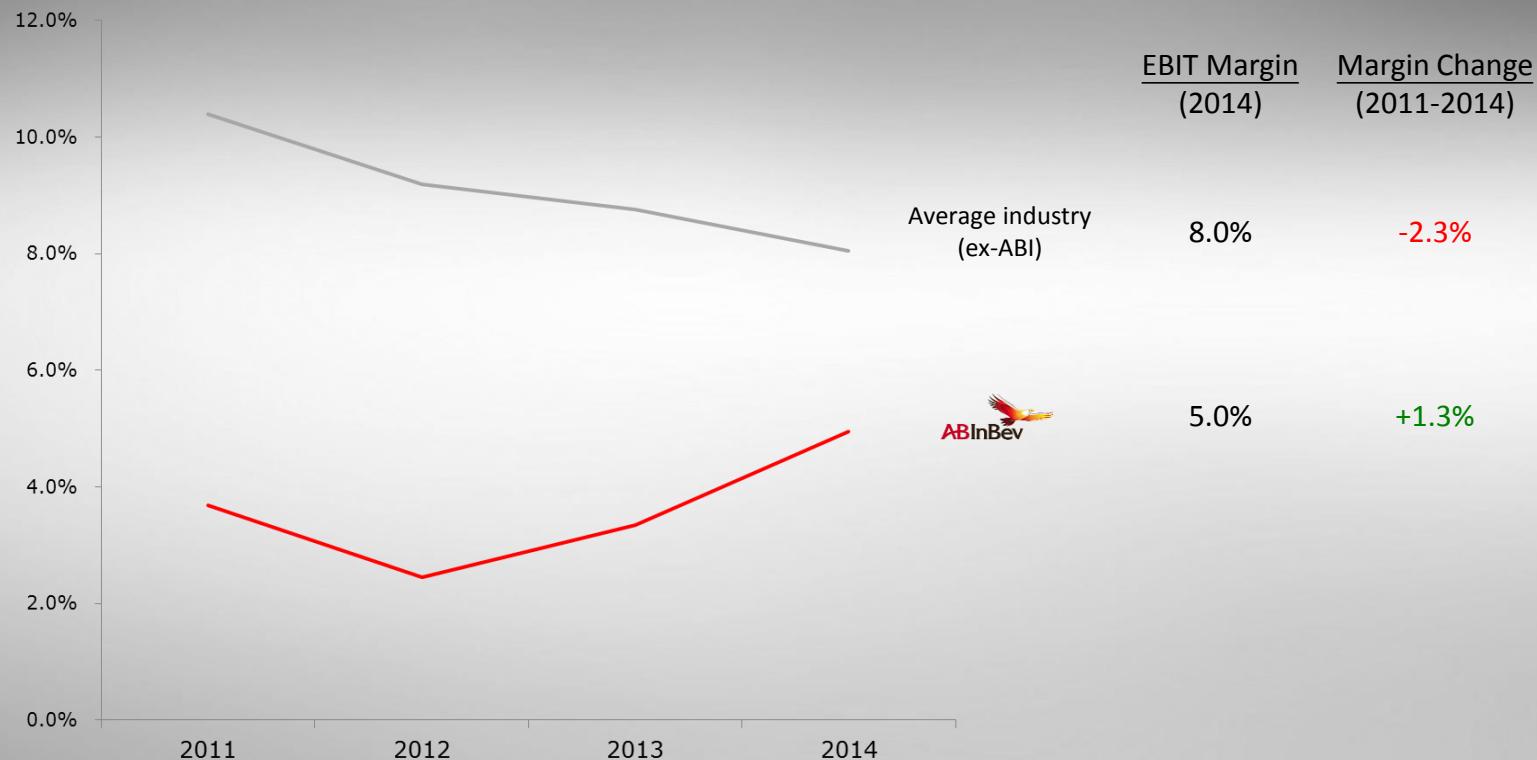
EBITDA margin

ABI's EBITDA margin is well above the average of the rest of the industry, and growing



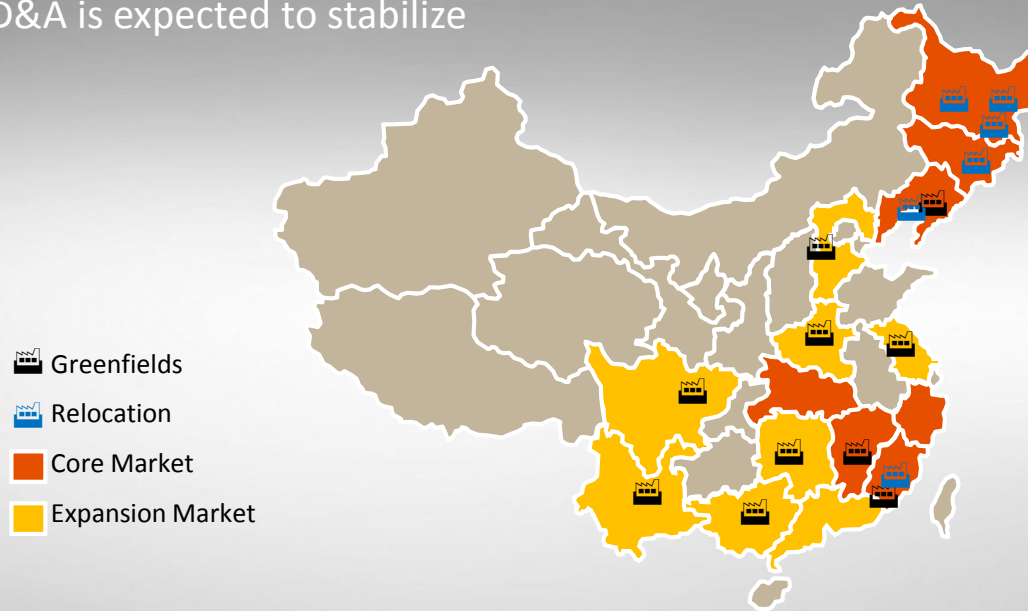
EBIT margin

Since 2012 ABI has been increasing EBIT margin at the fastest rate in the industry



Greenfield and Footprint Renovation

Greenfields and brewery relocations have led to increase in depreciation & amortization (D&A). Going forward, D&A is expected to stabilize



Footprint improvements are expected to drive operational efficiencies

Category	Volume	# of Brewery
Small	<1 Mio HL	23
Medium	1~3 Mio HL	16
Large	3~5 Mio HL	6
Extra Large	>5 Mio HL	4
Total		49

	2011	2012	2013	2014	2015	2016	2017
Greenfield	1	2	1	2	2	1	1
Relocation			2	1	1	1	1
New breweries	1	2	3	3	3	2	2

Summary

- Asia Pacific: **largest beer industry, 53% of world industry growth** in the next ten years
- Dream is to be **#1 in Asia**
- To achieve ABI APAC's dream **we must win in China**
- Averages in China are misleading
- We must look beyond averages in **geographies, segments and channels**
- **Winning with the winners**
 - Lead the way in **Super Premium, Premium and Core+**
 - Expand footprint to **sizable and fast growing provinces**
 - Win in the **fastest growing channels**
- ABI is **developing insights, refining strategy, Route-to-Market, portfolio and building the people pipeline** to win in China
- The combination of **leading brands** commanding top line growth and **operational efficiencies** will continue to drive **improvements in profitability**

China strategy – Main Priorities

Building winning brands

- Win consumers in Premium and Super Premium
- Connect through digital, experiential and multiple touch points
- Do it with speed, relevance and simplicity

Building scale with replicable models

- Maximize strongholds
- Sales Machine
- Expansion

Delivering operational efficiencies

- Renewed footprint
- Operational efficiencies

Building the right team and a better world

- People pipeline
- Better world agenda

Bringing strategy to life

Dream: #1 in Asia

Pillar

Brands

Bonding
with
Consumers
& Trade Up

Expansion

Maximize
Strongholds

Sales
Machine

Disruptive
Growth

Operational
Efficiency

Better
World

People
Pipeline

People: our long term competitive advantage

