OPTIMIZE OUR BUSINESS

Fernando Tennenbaum, Chief Financial Officer

Hello, everyone. And thanks again for joining our Investor Seminar today. This is our final presentation, after which I'll hand it back to Michel for some closing comments. Then we will see you all at our Q&A panel. For those of you who don't know me, I'm Fernando Tennenbaum, AB InBev's chief financial officer. I've been with the company for more than 17 years in various finance functions, including investor relations, treasury, and M&A. Most recently, I was the chief financial officer of our publicly listed subsidiary, Ambev. I hope today's presentations have given you good visibility into our strategy to lead and grow the category, and to digitize and monetize our ecosystem.

Now, I would like to talk to you about how we are optimizing our business to deliver our strategy and create a future with more cheers. As CFO, my objective is always to maximize value. To do this, I'm focused on three areas. Optimize resource allocation to the drive growth, robust risk management, and efficient capital structure. Let's start by talking about optimizing resource allocation to maximize the growth potential of our business. I want to reinforce what Michel shared with you earlier. Over the years, we've build a unique global ecosystem with our iconic brands and unmatched global footprint. In terms of both profitability and cash conversion, we are best in class among our FMCG peers, with an EBITDA margin of around 36%, and operating cash flow as a percentage of revenue of nearly 27%. That's despite significant headwinds from COVID-19, transactional effects, and commodities.

And there is no shortage of opportunities to invest for growth. As you heard earlier today, we are focusing on three areas. First is the beer category. Beer is a growing and profitable category. And we have a golden opportunity to further grow and expand it with our global footprint, unique capabilities, and operational expertise. Second is beyond beer. Because of our new capabilities, we can innovate beyond beer to drive incremental growth to our current business. And the third, new businesses that harness the power of our existing platforms and ecosystems, like EverGrain and BioBrew. Part of my job is to optimize how we allocate resources to these opportunities. We make these choices by taking into account both growth and economic profit potential. We look at economic profits because it considers required capital investment and relative risk as our profitability.

Some examples of these choices have included shifting resources in the U.S. from our mainstream business to our premium and beyond beer portfolios. Investing ahead of the industry and premiumizing the beer category in China. And investing increasing scale in markets like Nigeria and Mozambique. We are also taking a long-term view, thinking about our customers and consumers who will be 5, 10, 20 years old. To position our business for the future, we will continue to devote resources for new business, investments that may have longer return horizons, but extract new value from our ecosystem. Examples include the investments we've been making behind digitization, like BEES platform presented by Ricardo [SP], and the emerging biotech platforms, Bernardo described it, EverGrain and BioBrew. Enabled by such investments, our business can continue to generate significant cash flow.

Moving on to my second focus area, our approach to risk management is starting from balance sheet. It probably won't surprise you to know that as a CFO, I'm always keeping a close watch on it. We have taken steps recently to de-risk and de-lever our balance sheet. We have paid down more than $22 billion of debt, and redeemed almost all of our maturities over the next 5 years. With these actions, our current liquidity is more than sufficient to cover all of our maturities in aggregate 2027. Additionally, we have no financial covenants on any of our debt.

With that, let me talk about the third area, capital allocation. The primary objective, as I said earlier, is maximizing long-term value. And we do that by dynamically balancing capital allocation. Let me elaborate. At the end of 2020, our leverage ratio was 4.8 times net debt to EBITDA. At that level, deleveraging can create significant value. As you can see here, as we approached 3 times, approximately 90% of the benefits from deleveraging can be captured. As we move toward 2 times, returning cash to shareholders and pursuing selective M&A opportunities can have a more meaningful impact on value creation.

To wrap up, I want to reinforce that we have a great business with plenty of opportunities to create economic profits, which we optimized through effective resource allocation. While we continue driving consistent profitable growth, we will manage our risk profile to further enhance value creation. And finally, look into our capital structure. By dynamically balancing our leverage, shareholder returns, and selective M&A, we will further unlock value. By optimizing our business through these three areas, we will create a future with more cheers. Now I'll hand it back to Michel for some closing comments.