AB InBev Investor Seminar

September 1st, 2015

CEO, CMO, CF&TO Q&A Session

Participants: Carlos Brito, Miguel Patricio, Felipe Dutra

Graham Staley: As you can see from the agenda, we are now going to have a Q&A session with Brito, Miguel and Felipe. . If we could, let us try to focus on non-APAC issues, because there will be a lot of Q&A opportunities tomorrow. Therefore, let us try to keep this focused on other parts of the business today. And before asking questions, please tell us who you are and the name of your organization. That would be helpful. So, let us go to the first question, here we go over here in the middle.

Karel Zoete: It's Karel Zoete from Rabobank. I have two questions in regards to the top line, the first question is with regard to the benefits you'd expected from the mix. Why has the prestige of your primary brands has grown? What kind of benefit from mix you will continue to expect? The second one is with regard to your fixed costs. What is the effect of inflation and what is the benefit of volume leverage? The volume growth part has been modest in certain markets. What is the role of volume growth?

Carlos Brito: Let me see if I get the question right. The first question is about mix.

Mix was something that if you look back to five or ten years ago, this issue was not that important for us, because our portfolio was simpler. As the portfolio grew in terms of the number of countries where we operate, the segments, brands, global brands, local brands, international brands, different packs, channels, etc. this issue of course became way more important. And one of the things Felipe mentioned is that a year ago, we decided to standardize the way we look at mix in our company. And the same way he showed for core working capital, for ZBB, for so many other things -- we decided to shine a light on the mix issue. By standardizing terms, we can compare apples to apples. We can also open gaps, understand best practices, put targets around it and start having an action plan to deliver results. That's exactly where we stand on mix today. Today we have what we call passive mix and active mix. We want to have more active mix because it is linked to complexity. Passive mix, for example, occurs if a region that has a lower MACO (margin contribution) is growing less than a region that has higher MACO – of course the total mix will be better. But if that passive mix occurs because that country has a macro issue, that has nothing to do with us, and we are not interested in that kind of mix, but rather active mix.

When we look at pack price curves, we have a chance to drive active mix. For example – do we want to flatten or steepen the curve? How should we price in different channels? Is this a product that you can price more on-trade than off-trade. If so, how can we take advantage of that? So there are a lot of active mix opportunities that are now becoming clearer. We are comparing between the zones and therefore finding best practices and opening gaps, in our language. Opening gaps so people can actively manage mix as opposed to having mix be something that you are looking at towards the end of the month and saying 'Oh! That was a good month!' Or 'this is a bad month and mix is not in our favor!' In the past, mix was not very important, but today, this is very important. Let me give you two more examples. In China, because of the strategy we set out on in 2008, we chose to focus on the high-end while being very careful about only introducing products or innovations that are accretive in terms of mix. Mix is very powerful to us. That's active mix.

On the other hand, when you look at the US, as of late, mix has been a drag to us, because the packages that are growing more carry less on a contribution margin basis. So now we are busy trying to learn from other regions in the US to try to see what we can do.

I will give you another example. In Brazil, at the end of last year and the beginning of this year, mix had a negative impact on our net revenue and therefore on our contribution margin. So we shed light – and then people start to see what the true contribution margin is as opposed to the average one for the entire country. So if we sell this pack, in this channel, in this region of the country, what's the MACO. So that visibility, which was not there before, is now present. It seems like a very basic thing. But the reality is, it was not there for all regions, all packs or all channels. So now that it is, the negative mix pressure that we saw in Brazil has now been neutralized and now we can focus on driving it positive. Like anything in life, it helps to shed light on it, agree on terms, so you can compare and see who is doing a better job. Then you try to learn from them, spread the best practice performance toolkit, put targets, and connect compensation to the key goals. That's what happened, for example, when we shed light on working capital – which was something that nobody had been looking at. Once you shed lights on the issue, people say OK, there are opportunities here and there. So, back to mix. This is going to result in a portfolio that is more complicated, but that's definitely the way to go. Because again, this allows consumers to have more choices, more brands. So for sure, we are focused on driving the active mix. The passive mix will happen despite our will – but I want to focus on something that's more deliberate.

Felipe Dutra: About the second question. I think it was about the efficiency and the overall cost management towards inflation. We are exposed to an average inflation between 4.5% - 5%. Let's take 5%. The way we look at it is a different cut than the simple accounting view of the P&L as published per IFRS. So by allocating expenses in a different way, we get to an overhead base of approximately 6 billion dollars and in theory, that base should be fixed regardless of volume performance. Of course, as we grow volumes, there will be pressure on certain expenses like brewery maintenance and things like that – but these items are more marginal. We exclude the items which are volume linked from our overhead base, which means that, as we start the year, just by letting the overhead base grow in line with inflation, 300 million dollars goes out the door. We prefer to keep these funds so that we can reinvest them in projects to drive top line growth or let the money flow to the bottom-line. So 6 billion dollars versus 5% inflation. The goal is to have zero overhead growth – or ZOG – in order to fully offset inflation.

Carlos Brito: Let me add an example of what Felipe is talking about – we are sending some activities to India. OK, there's nothing new in that. Companies have been doing that for 20 years. So we are late to that game, maybe because we had other things to do. Not only to keep labor costs down, but also because of the analytics that are available in India which Felipe observed when he visited some companies in India. Goldman Sachs for example, has their second largest office, after New York, in terms of the number of analysts, in India. It's not in London – it's in India. These centers are not only for transactional items like paying bills, but also for deeper analytics and developing algorithms.

Another example that Felipe talked about was B2B. We have used sales reps forever, they visit the POCs, collect the order, check the inventory, etc. Then we developed an app to establish a connection with the POC. And amazingly enough we learned that, at least in the pilots we are running, these apps actually increase sales per POC. Why? Because when the sales rep visits the POC, normally he meets an employee of the owners of the POC, since the POC owner is busy with invoicing or purchases. The employee tends to be very conservative with the sales rep about what he or she orders. With an app, the owner of the POC can do the ordering whenever they have time. And as the owner, this person is much more likely to try new products or engage with new promotions. The owner is more aggressive and edgy in the way he sees the business when compared with someone who was employed by this person. So amazingly enough, a B2B app like this could provide us with an opportunity to strengthen the sales force as opposed to diminish it. We need to get the sales guy to be more focused on activating the POC, agreeing with the POC on calendar of activities, rather than just focusing on the transactional piece, which takes a lot of time. These are the things that can be done better with the help of technology.

Graham Staley: OK, next question, please. James

James Edwardes Jones, RBC: You have given us a lot of details on how you will try to grow your business faster and grow the top line faster in the next five years than the last five years. From my perspective, revenue growth and volume growth in particular, have been the one disappointment with ABI over the last few years. This might be rude, but why should we believe you this time? What is different?

Carlos Brito: If you look over the last six years of our business, volume has been positive in certain periods, negative in other periods, but the CAGR has been zero, so our volume is not really growing. On the other hand, mix has grown, premiumization has grown, direct distribution has increased, so revenue management initiatives have worked. We've had better management of discounts and trade spend. Because of all of this, we have been able to grow the top line despite the volume result. We put more emphasis, James, if you notice on revenue growth rather than just on volume. Of course if we could grow volume and price, that would be even better. But in some markets where the volume is not growing, if I can get the same number of cases with a better mix, I can enhance my overall mix contribution and earn more dollars – and dollars are what you take to the bank. Dollars is therefore more important than volume of cases sold, because we can always sell more cases with low contribution margin. So that is why we have decided to talk more about revenue – instead of focusing just on volume – but of course it is even better if you can have both.

Today we are trying to use those insights that Miguel showed on the GDPs to better understand how we can allocate resources towards those occasions that are winning – as opposed to just looking at averages of all occasions. I think before the GDP work, we were always looking at markets 'on average', as opposed to being able to look at segment specific locations and consumer segments. We also always looked at things in a 'beer only' way, as opposed to looking at total alcohol. Looking at total alcohol, we can see that, even in a market where traditional beer is not growing, near-beer is growing. And near-beer has better margins and is generally incremental to beer – thus enlarging the pie. We know our brands can play in this space, and our brewing technology can also work. Therefore, many things change the landscape, including new insights, an updated footprint, GDPs, new top-line plans, our global brand goals, etc. All of these things enable us to be more aggressive in pursuit of all that 'good' volume.

Sanjeet Aujla: Hi, Sanjeet Aujla from Credit Suisse. Over the last couple of years you have significantly increased your marketing spend by high single / low double digit growth rates in a quest to accelerate top line growth. Do you envisage a similar level of increases in marketing spend over the coming years? Secondly just on working capital. You already have one of the best working capital ratios in the global consumer world. What gives you the confidence to further improve that metric in the coming years?

Carlos Brito: Well, in terms of sales and marketing spend, we do not give guidance going forward. All we have said is that, this year, sales and marketing growth on a global basis would be mid to high single digits. Last year, we invested more than normal because of the World Cup. And if you look at the last twenty or thirty years, this pattern was always there. What was different this year is that, after the World Cup, we didn't lower the sales and marketing investment to previous levels. We maintained it. But this has to do with our top line growth expectations. When you look at sales and marketing growth in dollar terms, you see that as the top line is growing faster, sales and marketing as a % of total revenues is not necessarily growing. But the sales and marketing dollars are growing, because the net revenues are growing. So whenever we see opportunity, we go back to GDPs, and today we see opportunities for near beer that we did not see before. These products have very high margins, and bring incremental volumes with very little cannibalization. Therefore, whenever we see those opportunities, we will invest because we know the returns are good. So, there's no fixed amount that we are going to invest. We try to look at the opportunities in terms of resource allocation.

I will give you another example. In the US this year, we are increasing investments. If you look at the first half, the marketing investment [in dollar terms] did not go up a lot but the marketing pressure in the market place did. Public sources show that. Nielsen data on our share of voice, and share of spend, have all increased big time. Because today we are buying better. We used to have an in-sourced model-called the Busch Media Group – and last year we transferred media buying to companies who only do this. And we found a company that does it better than we did. We used to be very good at buying traditional sports media. But now the media mix is different. With this new agency, because that's their business, they can do it much better than we do. And for digital properties for example, they buy these at much better price than we did. So today, in the US, in the first half of the year, we are spending the same money but with much more media pressure.

Felipe Dutra: So on the working capital, you saw the number of minus 11% of revenues, that is the average and beyond the average, we still see gaps across many zones. APAC is our top performer, core working capital in APAC is as negative as minus 45%. I am not suggesting that the group average is ever going to get there. There are structural reasons why the APAC figure is so low. But as you move to zones like Europe, it's getting to negative twenty. Europe is structurally more similar to our operations in the Americas, which are the biggest zones for us (including North America, Mexico, Latin America North and Latin America South). Four of these zones are below 10%, or well below 10%. And there is no structural reason for this, other than the fact that we are still working to close gaps and implement best practices that are coming from other zones. Every time we see disparities in our numbers, we view them as gaps and opportunities and we will put a plan in place. Therefore, we are confident that we have not yet hit the wall in terms of how negative core working capital can become.

Eddy Hargreaves: In near beer the discussion, it's been pretty focused on the US so far. Could you say broadly what the percentage of your near beer sales are in the US at the moment? Going forward what do you think might be the situation in five or ten years' time when it comes to the roll-out of near beer in overseas markets? And secondly can you simply define near beer?

Carlos Brito: Near beer is a relatively loose term, but it is a product that enjoys the same brewing process [as beer] and can use the same assets. Near beer is a segment that enjoys the support of our brands. It's not a category that is regarded as a brand extension, it is something that is supported or endorsed by some of our brands. Take Oculto for example, it is a brand by itself. Cubanisto is a brand by itself. But the Ritas are endorsed by Bud Light. Today the US is an important market for near bear because it is the first market where the concept really took hold. But if you look at Argentina, if you look at Mexico now, if you look at Canada, other markets are following. In Brazil, Skol Beats Senses is endorsed by Skol. Brazil is a market which is quite promising for near beer. It is incremental with very high margins and it enlarges [the] beer category.

In some occasions, we can use endorsements from line extensions of existing beer brands which are very strong. We are taking this concept to all of the other countries in LAS – including Paraguay, Bolivia, Colombia. I think the Ritas concept really awoke us to the opportunity. And this is a global opportunity.

Miguel Patricio: Regarding incrementalism, for many years we thought about how big these near beer products could be, how incremental to the business. We went for less cannibalistic products and products with higher margins which could be incremental to the business. For example, MixxTail in Argentina. MixxTail is placed on a different shelf -- instead of the beer shelf, it's always placed on the hard liquor shelf and our research tell us that it is absolutely incremental. We have the potential to launch high margins products which are very incremental, which is a relatively new opportunity for us.

When you look at the segmentation of alcohol consumers, you will understand that beer and liquor both have their limitations in terms of meeting consumers' needs. If you recall what I said about the "Mood Shift" need state, today consumers prefer to have sweeter drinks that are more fun and less bitter. They prefer drinks that can be poured over ice. From this perspective, our traditional products cannot meet their needs. That's the beauty of near beer and that's why near bear can be incremental when it comes to volume and profitability using our assets.

Trevor Stirling: Trevor Stirling from Bernstein. On the subject of near beer, this is clearly very incremental in terms of margin and in terms of the consumer and where the volume is coming from. But there is a problem: the life cycle is much shorter for these brands, especially when it comes to flavor variants, than what we would normally expect for a traditional beer brand. Would you agree with that? What can you do to either manage that or how are you coping with the challenges that are related to this?

Carlos Brito: You said that the near bear has a shorter cycle?

Q: Yes, a shorter cycle. If you look at the Ritas, and even with the great success of these brands, it is still on average in total very incremental. But while each new flavor brings incremental volume, the old flavors are declining. Would you agree with that and how would you address this challenge?

Miguel Patricio: This is a new world for us. A new flavor can be very cannibalistic and after four flavors, the new volume can cannibalize the previous ones. The big opportunity we have is around innovation on formats, and channels – these are things that we are just starting to tackle – party packs, big packs, smaller packs, different occasions, different channels, different packs. There is a whole world for us to develop. I tend to agree that the game of flavors has limitations. When you introduce the second flavor, it is very incremental, the third one is less so, the fourth one is even less so and the fifth one is not incremental at all anymore. But I would not say the cycle is shorter, maybe we will conclude that, but at this moment, we cannot say that definitively.

Carlos Brito: Important to note that many categories are [adding more flavors]. If you look at

Gatorade, Gatorade has to come with a different flavor every summer, they keep some and change others. Or ice cream. I am not an expert but it seems to be the same. You see ice-creams come and go all the time. Juices, combinations of juices – come and go all the time. Or Ready to Drinks. Some categories are more like this. It is good for us to learn about these trends around innovations, because when you tap into something new, you can learn something that applies to the core business. This is positive.

Miguel Patricio: But for sure, we need more innovation in this territory.

Carlos Brito: But your question about what happens with the Ritas was not just about flavor variants. The FMB category in the US has two segments. The 4% ABV segment and the 8% ABV segment which is the one that we more or less started. A lot of products joined the 8% category and we did not have anything in the 4% category. In the end, we lost some volume because of that. When we came up with the Ritas, we wanted the liquid to be as complimentary to beer as possible. And that's why we went for an 8% ABV liquid, because if we had gone with 4%, it would have been squarely in the beer domain. But other companies think differently, they might not have as much exposure to beer, so they went with 4% - or they have always been in the 4% category and continued to develop this category. That's a different approach. We thought we could shape the category away from beer and other companies did not agree and went straight into beer territory, in other words, competing with beer at the same alcohol level. Live and learn.

Edward Mundy: I appreciate that near beer gives you the opportunity to play the outside of core lager. But as I think about your acquisition strategy, why isn't spirits more interesting for you?

Carlos Brito: First, we are in near beer, and there is the opportunity to use our asset base and some of our brands to tap into those volume opportunities. If you go straight to spirits, the manufacturing will be different, the assets and brands will be very different. So it's a totally different business. So we started first around beer, learning and adapting around beer. We can fail sooner to succeed faster with assets that are close to us, which are connected to fermentation, and with liquids that could add value in terms of our brands and channels and all that. Spirits would be almost like a new line of business for us. We like focus, so we decided that near beer was not necessarily beer but was close enough to beer to maintain our focus. To introduce a new hard liquor brand would be way more investment and not our business.

Edward Mundy: But if you were to lets say acquire a large spirits company, for arguments sake, you'd be able to run it an awful lot better, given your track record and financial discipline. What is it about that that doesn't appeal to you? Is it that the free cash characteristics are different? Anything you can elaborate on that point?

Carlos Brito: We do like beer more than other beverages, not just because it's our business, and because the margins are much better, but also because we have powerful brands, and we've been able to stay very focused. This idea of diversification is not necessarily one that appeals to us. We think that being focused on one thing is better than being diversified. Five years from now maybe we will feel differently, but with what we know today, and the opportunities we still see in beer and near beer, we don't see why we should diversify.

Tristan van Strien: I am Tristan van Strien from Deutsche Bank. For Miguel, can you comment a little bit on your relationship with creative agencies? Wieden and Kennedy is your 5th agency on Bud Light, since you've had it. You've got agencies in the UK that refuse to work with your guys because of your payment terms, how do you think about this?

Miguel Patricio: Creativity is crucial for marketing and what we are trying to get is the best in the market. Wieden and Kennedy is a great example of that. Wieden and Kennedy was previously working with Heineken, and now they are working with us because they are excited by our brand portfolio while we are excited by their creativity capacity. That is the main reason why we are now together. We are really in search of creativity in marketing and we think we have much more work to do. On top of that, there are advantages to having an agency like Wieden and Kennedy. They have three of our big accounts, Corona, out of Amsterdam, a big part of Skol out of Sao Paulo, and Bud Light, out of New York. So when you put Bud Light and Skol under the same house, there are lot of synergies for our core brands around the world. We benefit a lot from these learnings between Bud Light and Skol and vice versa. So from the creative stand point, we are evolving in the right direction on agencies - I am very excited about that.

Carlos Brito: I am not going to name names but I can imagine the agency we are talking about. And this agency, at the end of the day, they are working for us on different projects, with the same terms that they once said they would never accept. It's all business at the end, and if it's agreed, it's not changed because it's agreed. If it's not agreed, there are other clients to work for.

Also, Miguel, as CMO, decided to be closer to the agencies than our previous CMO, and that has made a big difference. That's one of the reasons Wieden and Kennedy, who are very creative, decided to work for us. In large part because of Miguel, and his contact with the agencies. We are not perfect, far from it, and one of the things we lost a little bit, maybe because all the mergers and acquisitions that we've done, was the touch with the agencies. Especially with the big agencies, Miguel is re-establishing that and I am also, to some extent, more involved with them. Closer to the way we worked with them in the past. It's a little bit of a pendulum, sometimes you take this for granted, because some other things are more urgent, and then you say, hey, I need to come back here a little bit. We are reaching a balance again.

The other day, Miguel held a very interesting workshop that I participated in. 4 days of creativity. We reached some conclusions on how we could be more edgy in our communications. A lot had to do with the relationship we have with the agencies and how we could go back to old habits, better habits. Some agencies which were present said 'we love to work with you guys because you guys dream big. You guys are willing to do things that other clients are not willing to do, but, on the other hand, you guys do not have time for us - because you are too busy.' That was the main take away for the marketing guys. In the past, we had more time for them. When they have access to senior people, they can be more creative, aggressive and edgy, because the senior people back them up. If they only have junior people talking to them, they will be more conservative, because junior people would be more conservative in approving things. So we changed this the next day. Agencies that were not present at the workshop called Miguel a month later and said, 'hey, what changed? Your guys have time for us again.' So it's a question of agenda and priorities. It was good to go back to old habits - good old habits.

Miguel Patricio: I would just add that behind any great brands, whether it's in beer or not you are always going to find consistency. Consistency is a great part of excellence in communication and in marketing. For that, you need to have agencies who are long time partners. Otherwise, you are always moving. That's a big part of what we are looking to do going forward. So yes, there have been a lot of changes with the agencies, sometimes because we lost faith in their work, but today we are looking for consistency. We have agencies that have been working with us for 20 years. I love that. They know us, they know our brands, and they have passion for our brands, it's a partnership. Working with agencies is partnership.

Carlos Brito: I think in the US, specifically, they used to work with agencies differently than we did. They never had an agency of register for a brand. They would rotate the agencies within a year. So they would say to 4 agencies 'Super Bowl next year, show your best work, just for the Super Bowl.' That went on for years. So it took us a while to break that mold and convince agencies that we were willing to do what we did in other countries: we pick an agency, more than an agency, a business partner, someone that does not just understand the brand, but also the business, and we stay with that agency for a number of years. We have many examples of that in other countries where we've been active for a longer period of time.

So in the US, it took time to convince agencies that we were willing to work together for the longer term. If they believe that, they'll give you their best creative, their best planning people. The owner or the managing partner will be more involved because that account will be there for a long time as opposed to just 2 or 3 months. And we would be spending more time with them.

Miguel Patricio: I mentioned earlier that there are more similarities in the world than differences. The same is true of brands. We have different trademarks around the world, but you would be surprised how much Bud Light, Jupiler, and Cass have in common, both in the positive and negative sense. We have to leverage more our scale and knowledge as the biggest brewer in the world and have more globally minded activities, even with the local brands. We are not going to do KTVs for Korea from New York, but we can develop platforms throughout the world.

One example: Tomorrow Land, which is the biggest EDM [Electronic Dance Music] festival in the world. We are now the sponsor. This property is going to be activated by all our core brands around the world. Whether it's in Korea, Brazil or the US, finding commonalities and developing programs is a big opportunity for us.

Carlos Brito: Another example. As Miguel mentioned, today we are seen by many DJs as a curator, not just a sponsor, but a curator, for EDM. We have a big presence in China, in KTVs and nightlife. DJs that are not famous in China, but known outside of China, come to us. We introduce them to China through our properties and the access we have to venues. So we can act like a curator, shaping EDMs as opposed to just putting "EDM by Budweiser". That's what leaders do. Leaders lead the markets, shape trends and help to create the future. That's what we are doing. On digital, in some aspects, we are leading. But we are also trying to shape where it goes together with other people that are in the same business.

Miguel Patricio: Tomorrow you'll see a good example of this with the Budweiser China team.

Robert Ottenstein, EvercoreISI: There is some data to suggest that the growth of craft beer in the US is starting to slow a little bit on premise. Do you agree with that? Second, it seems that independent craft is growing internationally. Do you agree that there is some data on premise that independent craft are starting to slow? What have you learned about the challenge of independent crafts in the US that you are using overseas?

Carlos Brito: Very good point. When we started the business in Brazil, in 1989, one of the things we always said was that it was great to take a 9 hour flight to go to the US to see the future would be like.

Then we could come back to Brazil and do it. In those days, there was no internet. Consumers were not aware of everything that was going on. The long neck bottle was something that did not exist in Brazil 26 years ago, there were only big bottles. We went to the US, we saw the beauty of the single serve bottle, and we brought it to Brazil, then aluminum cans, etc.

Today of course, it’s a different world. We always want to have exposure to the US because we still believe that the US is the trendsetter for many categories, including beer. Take craft beer: craft beer became sizable in the US and continues to grow. The numbers show that it’s still growing, but growing slower than before. I don't know all the reasons, but one of the reason is that 50% of craft is sold on premise. We decided, along with some others, to increase our presence on premise where other brands were gaining share. So that might be part of the explanation. I am not saying for sure, but that can be part of the story. Also craft brands from more national players are growing faster than those from local players. For example, IPA is the single biggest style in the US craft segment. Our Goose IPA is growing by triple digits this year, and we think, given the trends, it could be the leading IPA in the US next year. Three years ago, who would have said that a national IPA could be a leading IPA. We have to get there first, but it could happen. Things change and all of a sudden you say, why not. Like Budweiser, it’s a macro brew -- what’s wrong that? Before we were trying to hide from it, and now we are saying ‘what’s wrong with that?’ We know who we are and how good those credentials are. With our IPA, it’s the same: we have a great IPA with lots of awards, recognized at festivals, we just need to make it available, and have a consistent voice behind the brand.

Regarding the other part of the question on international craft. Because of the learnings in the US, our disruptive growth group is trying to shape craft around the world as much as we can. That’s why we are buying craft companies in Brazil, Argentina and Colombia, and there are more to come. In the US, we are not only buying, but also repositioning some smaller brands we had as local crafts, because we want to have craft to offer to consumers so as to preempt a bit and not leave that niche open to others. There will be competition, for sure, but as a market leader, you can at least shape a segment. That is what a market leader should do. Lead, shape and create.

Andrea Pistacchi: It’s Andrea Pistacchi from Citigroup. When you talk about the 4 GDPs you’ve identified, and you think about these against your portfolio, the traditional beer occasion like relaxation and bonding, how big would that be as a percentage of your revenue at present? Do you feel there are any gaps in your portfolio that need to be filled either organically or through M&A that will better cover the newer consumer needs?

Miguel Patricio: Relaxation and bonding is different by country, but is about 60% of the volume in the world. There are countries where food and savor is bigger than relaxation and bonding, like France or Italy, which are more wine countries. The biggest competition we have in food and savor is actually wine. The biggest competition we have in mood shift are cocktails. The biggest competition we have in night out is hard liquor. Each one of the consumer needs, and these GDPs, have beer brands that work well, but also competitor brands outside of the beer category. So where do we have gaps? We are extremely well represented in relaxation and bonding, but we are behind average in all other consumer needs groups. We know that in mood shift, Corona does extremely well, because it’s more co-ed, because there is a tradition with the lime that makes the product taste less bitter. We know that in food and savor, Stella Artois plays very well. Craft plays also very well. And on night out, there are gaps as well. We launched Cubanisto in Europe, Oculto in the US, but there is a long way to go. There are big gaps and that means big opportunities.

Marcelo Lima: Marcelo Lima from Heller House. I was wondering how you manage the conflict between craft beer advertising and Budweiser, for example. There was that famous Super Bowl advertisement where you were sort of making fun of the craft brewers. But with Goose Island, which could become eventually a very big brand, do you envision taking Goose Island to become a billion dollar brand? My second question is, in this GDP segmentation, it seems that there could be room for an energy drink with alcohol. There is vodka and Red Bull as a great combination within that category of shifting the mood, I was wondering if you are exploring some energy drink in the near beer category.

Miguel Patricio: On the first one, the craft movement is helping beer a lot. If you go back in time, let's use the example of New York where I currently work. Five years ago, if you went to any trendy restaurant and ordered a beer, the waiter would look at you like you strangely, almost like he was offended. Now you don't find a restaurant in New York that doesn't have a beer menu. I think that's great, it's really elevating the beer category, and it's really competing with wine.

On your second question. What Budweiser did in the Super Bowl was not just about Budweiser, it's about portfolio management. And that represents the voice of the brand. Believe me, craft brewers have been making jokes about Budweiser for a long time. They are offering their view of one brand against another brand, and against Lager in general, so I don't think there is any contradiction. We love having Goose Island and Elysian and Blue Point in our portfolio, together with brands like Budweiser and Bud Light and other brands. It's a portfolio game of different consumer needs with different consumer profiles, and we have to be as complimentary as possible.

Carlos Brito: If I may add, when Budweiser did 'Budweiser Brewed the Hard Way' [in the Super Bowl], that was not AB InBev talking, that was the brand talking. We needed to reach consumers, and give consumers reasons to continue to consume the brand. Consumers were saying, 'hey, I haven't heard from Budweiser for a long time, why should I continue consuming it given the new environment? I hear from everybody else why I should try the other styles of brands and I haven't heard anything about why I should continue to drink Budweiser.' So we gave them the reasons to feel good about their brand. It was the brand talking, not the company talking. This is a portfolio play, each brand speaks for itself, so we have craft talking for itself.

On the energy drink question. When we got to the US, AB had a beer with caffeine. Many others had the same. There were complaints from the DAs from each state. The industry voluntarily decided to stop selling those drinks because the combination of caffeine and beer allowed people to drink for longer time, and that was something we didn't want. We do not want to sell beer in the wrong ways. So we ended that.

Miguel Patricio: It's important to say that the GDP work is a segmentation of alcohol beverages so it didn't capture the opportunities of energy drinks, or non-alcohol beer. I think there are for sure more opportunities, but we are focusing on alcohol beverages.

Simon Hales: Yes, it's Simon Hales from Barclays. Miguel, in your presentation, you talked about tripling the revenue of Corona, and doubling Stella's revenue over the next few years, is that a target you hope to achieve in 2020? Is that the type of timeframe you are thinking about Miguel?

Miguel Patricio: When I said tripling Corona, I am referring to Corona outside of Mexico. We didn't give guidance in terms of timing. You saw the numbers we are showing on Corona and Stella, the growth that we are seeing, and we believe we can do much better in the future. So it will be a growth driver for us. In the next few years, we hope to grow mix through global brands and premium brands.

Andrew Stott: Andrew Stott from Bank of America Merrill Lynch, it’s a question for Felipe, interesting presentation on the B2B side. How do you create any competitive advantage from an App? If you think about your comments on cost control, but more importantly, the loyalty side, why can’t anybody just take something like a Tap Wiser app, and copy that, so what’s the competitive advantage? How do you create it and sustain it?

Felipe Dutra: I don’t think it’s the App itself that is the competitive advantage. It’s everything that comes along with it, meaning the kinds of experiences the brands can deliver through the app. For example: in terms of content. What is behind that app in terms of logistics and delivery is also very complicated. We are mostly in a pilot phase, though in Mexico we are more advanced. We are excited about the results and the opportunities to bring content and entertainment to the POCs and to use that as a way in which brands, together with activation, can do more. Ultimately the brands are going to be the competitive advantage, alongside the content we can deliver in terms of leveraging our global platforms.