

AB InBev Investor Seminar

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Thanks Michel and JJ for the China introduction. A very good morning everyone! My name is Huang Wei, the marketing VP. In the next one hour plus, my team and I will share with you our growth pillar of “Bonding with Consumers”. I am a Mainland Chinese native, born and raised in Wuhan city – the place where we had our first Budweiser plant in China. When I reached my Legal Drinking Age at 18, I moved to Singapore to study and afterwards worked with P&G as a brand manager. In the past 10 years, I came back to China, working as the marketing director for Unilever and then marketing VP at AB Inbev.

Welcome to my home country of big opportunity – China, a country of 1.3 billion people and 225 million young adults. If we consider 225 million people as a nation, it is the 5th largest nation in the world. About 80% of the adults are alcohol drinkers.

We Chinese people LOVE BEER! 9 out of 10 alcohol consumers drink beer. Beer enjoys a very high penetration rate in China. Such a high penetration and acceptance of beer result in a high share of throat for beer at 70%. This is one of the highest across the world.

Looking into the future of beer market in China, we foresee fast growth of premium and super premium segments. The CAGR of super premium segment even goes up to 28.9% in the past two years. We also expect the growth of this segment will contribute to the total category value growth.

In China, most of beer volume sits in two GDPs in China – ‘Relaxation and Bonding’ and ‘Serving up a Great Night.’ ‘Relaxation and Bonding’ will be the volume game while ‘Serving up a Great Night’ is expected to contribute value.

Overall, Chinese consumers LOVE BEER and we foresee the beer market will keep growing with value and margin pool driven by premium and super premium segments.

In an emerging country like China, consumers’ attitudes and values change very fast. In order to capture the opportunity, it is very important for us to keep pulse of the mega trends. Today I am going to share four key consumer insights with you. I will introduce each of them briefly here and will go into the details in the next few slides.

The first one is ‘Premiumization.’ Chinese consumers have more spending power nowadays and they want more premium products to enhance the quality of life. This also includes drinking beer.

Secondly, young adults. If we would like to keep growing our business, they are definitely the group of consumers we cannot miss out on. They are the ‘one-child generation’ enjoying the rapid-growing economy. They are also the generation growing up with Internet. I would say most of them would not be able to live without mobile phones. These all make their thinking and behaviors very different from other generations.

The 3rd one is about consumers’ passions for different types of drinks. So we see in the past one year, the types of alcohol beverages consumed has been increasing. Sweet palate is another trend arising.

The 4th point we will talk today is ‘digital.’ Thanks to the Internet and the number of mobile phones, Baidu, Alibaba, and Tencent are the three biggest Internet firms in China. They are shaping China digital ecosystem. This will impact the way we do marketing communication and sell our products.

Given all of the economic growth in China, disposable income is also growing. The middle class is rising. We have seen this chart in Michel’s presentation earlier.

Consumers are trading up. They are looking for the brands that offer the experience and the quality. In the beer category, international brands are associated with premium. According to the survey, about 40% of beer drinkers are very willing to try more premium products.

On your left side 3rd point: personalization is driving the premium segment, too. Consumers think premium means limited access, not everyone can have. It also demonstrates that the brand put extra effort into creativity and imagination for their consumers. This generates more meaning to them.

On the 4th point, Premiumness is not just to own the badge value. A brand representing a kind of lifestyle or a brand bringing the experience to consumers is more attractive. Here is an example from Budweiser: Budweiser Vibe run is a new activation we created in China. Running is a fashionable and healthy concept. So we combine running and Electronic Dancing Music, and make a very unique and trendy experience to consumers.

Next we will talk about young adults in China. We have defined young adults as 18 to 29 years old. They are born in the late 80's to 90's. I would like to show you a short video on who they are and their lifestyle.

China's evolution in the past 30 years has greatly affected how young adults view the world. They live a life of standing out and fitting in - they value originality but also social validation and acceptance from their peers. They are highly individualistic, very confident of their decisions, want to live in the present and want to be different as they embrace it. However, at the same time, they are also looking for recognition and trying to blend in with others.

There is limited inherited brand or category history. This means there is less 'learned behavior' about brand preference and selection than you will see in the more developed markets. That is why these young people are eager to learn and build their own experiences. They want to be inspired. They are very curious and open about trying new things. They are usually the early adopters of new products and services. Ideally, these experiences will become the strong social currency that they love to share and impress others. And social media helps them amplify.

Digital is the gateway to their passions. It determines how they connect with friends. It shapes how they do everything, like shopping, entertainment and dating. The mobile convergence make the boundaries between online and offline blurred. This allows the young adults to multi-task and maximize their moments in their daily life.

Because all these special characters of this generation, a brand has to understand them well, in order to win their preferences different from the traditional way.

Looking for new experiences also includes drinking. We notice that consumers want to try new things, including different flavors, colors and packaging. From ABI's GDP study, we know Experience Maximizers are driving the trend. They contribute 35% of the beer volume in China. Therefore, we are not surprised to see the increase in the number of alcoholic categories consumed in past 12 months.

We also notice the trend of sweet palate growing. For example, it is very common to see consumers buy a bottle of whiskey and a few bottles of sweet mixers in nightclubs because the taste of whiskey is too strong for them to drink on their own. It is not difficult to imagine that sweet drinks are more accessible to female, or non-drinkers.

Finally there is the universal trend of digital. As we see in all countries, consumers now are digitally connected always and have made this their virtual home. In China we see the same trend manifesting itself with its own unique adaptations. Let's start with another video.

This one-minute video has covered a few key points:

The biggest digital trend is mobile. Today mobile has become the 1st screen, more than TV, PC etc. This is especially true in tier 3-4 cities where mobile might be the only screen for digital access for many people.

Content is King. It is important to know how and what content people consume. The high penetration of social media applications like Weibo, Wechat, and the video platform like Youku are linking to massive content creation. By the way, Weibo, Wechat, and Youku are the local versions of Twitter, Whatsapp, You tube.

On the right side of the screen, we know China has been the growth engine for e-commerce globally. Mobile payment is one of the key drivers. It has become one of the most preferred and popular ways to make payment.

In August 2015 for Budweiser we announced a breakthrough mobile content partnership with China's leading digital video platform – Tencent Video. Budweiser and Tencent will jointly invest in programming and promoting "Budweiser VIBE" to become China's leading online video channel for Electronic Dance Music content. Budweiser is shaping the Chinese music culture.

ABI China is also pioneering in the world of mobile commerce partnerships. With Harbin Beer, we partnered with China's largest and fastest-growing online food delivery platform, Ele.me (which means "Are you hungry?"), and launched a cross-promotion in this summer. This partnership has thus far generated 100 million digital display impressions and engaged 4 million consumers. Harbin Beer's WeChat fan base tripled during the period.

As discussed, market is changing, and trends are evolving. So we keep sharpening our portfolio to ensure we are meeting our consumers' needs.

When we talked about ‘premiumness’ earlier, I mentioned that international beers are perceived as premium and consumers would love to try more.

So we will continue building Budweiser’s as the most Preferred Premium beer in China. It will capture the “Night Out” GDP opportunity. Matt is our Budweiser director, and he will share more information with you in the next session.

At the same time, we will accelerate selected super premium brands, such as Corona, Stella Artois, and Hoegaarden. We do not just sell these beers as imported or international brands only. We sell them as a lifestyle, an experience. Corona, capturing the opportunity of “changing the mood” GDP is a great example as an aspirational brand. Our international super premium director Bruno will share more.

Among the ABI portfolio, the Harbin brand is positioned to be the most preferred beer brand among Youth (LDA). It will capture the “relaxation & bonding” GDP opportunity. By understanding the young adults’ value and behaviors well, we make sure we communicate the brand with the young consumers (LDA) in their own language. Our Harbin brand director, Joseph, will share with you what we have done this summer.

We have identified consumers’ passion for the variety of the alcohol choices, so we bring in our ready to drink and cider brands to China.

Mixxtail is the ready to drink brand bringing enjoyment to our consumers and addressing the rising trend of cocktails. Johnny Appleseed is the cider that we believe the Chinese palate will like. In the innovation session, our innovation director Lena will talk more about this.

We would like to continue to be the leader and shape the trend by introducing the near-beer product innovation and by leveraging our existing strong beer portfolio.

Digital cannot be missed. It is the most important platform to engage our consumers and for sales. Given that we need to serve such a digitally connected consumer, ABI has step up significantly on the digital and mobile media front, and will continue to invest in the latest technology and have our brands always on in the social and digital platform.

The digital world is much more complicated than the traditional media world. We will ensure we design the right content and publish it on the right digital touch point.

Also, we are riding on the e-commerce trend. By leveraging this, we will bring more enjoyable drinking experiences to consumers’ homes.

These brands are our strategic focus. To address our consumers’ needs well, it is important to further craft opportunities by leveraging the GDPs to serve our consumers in different needstates and occasions. We will GROW. We believe by understanding the consumer insights well and leveraging our strong portfolio, we will be able to capture the huge opportunities in my home country China.

Thank you all. I hope you enjoy the presentation. If you have any questions, I am happy to answer them in the Q&A session.