

AB InBev Investor Seminar

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Dusan Vujovic, KA & e-Commerce Director APAC

Hello everyone and welcome to the China e-commerce presentation. The idea of this presentation is to give you a feel of what China's online retail industry looks like, what the trends are when it comes to beer, how ABI is currently positioned and what our plans to succeed in the future are.

When we look at our dream in Asia and talk about the connection to our strategy, this presentation fits under the Disruptive Growth pillar.

There is no better way to start talking about online industry in China then to highlight that China is already the biggest online market in the world. Today, the value of China's total e-Commerce transactions are almost \$500 billion, which equals almost 11% of the entire retail market. It is worth mentioning that only 26 countries in the world have a higher GDP than this. Even more important, in the upcoming years, e-Commerce in China is expected to maintain a high growth rate, with around a 27% CAGR.

When we talk about the business models and the split between C2C and B2C, we can see that C2C was the dominant platform for a long time, due to the power of Taobao owned by Alibaba. However, B2C is catching up fast and will surpass C2C this year due to better product quality and a better shopping experience. In terms of the major players, for C2C, I already mentioned Taobao, with around 97% share, while on B2C it is T-mall (also owned by Alibaba), as well as JD, Suning and YHD which are growing fast and are already capturing around 90% of the total market.

When we talk about the overall online environment and logistics, we can see that China is already very developed. When it comes to the platforms used for shopping, mobile is steadily growing and will soon surpass desktop and become the dominant platform. Interesting fact is that China has a higher smartphone penetration than even the US. In terms of online payment systems, China has developed their own payment platforms like Alipay, which are much more dominant than the foreign payments systems. These platforms are so developed that a lot of employees today receive their salaries in these payments system accounts, rather than in their personal bank account. Shipping and logistics are constantly being improved and most of the packages arrive at their destination in between 1 and 4 days with reasonable costs. If we only talk about the major cities, same or next day delivery is already a standard. In terms of the actual consumer journey, Chinese consumers are similar to those in most of the developed markets. They like to search and compare products, they like to review and comment on the experience and products afterwards. In fact, 80% of Chinese online consumers leave some feedback after their online purchase, which is the highest percentage by far in the world.

Focusing now more on beer, until 2013, online beer sales were almost non-existent, but have grown rapidly in the past 2 years. In fact, we saw a 55% CAGR from 2015 to 2020, and online is by far the fastest growing beer channel in China. Estimates are that by 2020 approximately 10 million hectoliters of beer will be bought online, with a lot of it being premium with good margins.

The Chinese online beer market is dominated with three key players, which together take up around 90% of the total market. T-mall is the most dominant player with about a 45% share and very complex environment comprised of flagship stores, e-markets and franchise stores. It is also the one with the highest costs. JD is the second player with a 24% share. JD is growing very fast by increasing its reach, as well as investing a lot in the infrastructure, giving its customers faster and better experience. YHD, which is 51% owned by Walmart is in third place, just behind JD. It is also growing very fast and with very good logistics for food and beverage products.

Now, let's talk a bit about ABI and how we plan to grow in the future? First and foremost, by implementing the right people structure. We are a small team today, following the industry trends, and someday we hope to be able to lead and shape.

During 2015, we have started working closely with the key platforms, participating in their major promotions and starting to map the potential for the future partnerships. As our next step, we want to lead the online channel with premium and treat each key player as a special and unique partner. We plan to focus more on mobile and social platforms through strong partnerships, as well as open our own web based beer store. This will be an integrated structure with the mindset of shaping and define this channel as one focused on premium for many years to come.

We will also invest in our flagship stores, which we fully own and where we can provide differentiation to our customers. On both T-mall and JD, the two main platforms, we will open our brand stores for Budweiser, Corona and Harbin. Each store will be separately managed with a different focus and role to play.

At the same time, we will open a unique beer store on both T-mall and the web, which we will own 100% and through which we will sell a portfolio of both ABI and non-ABI import brands. By doing so, we plan to become the ultimate one-stop shop for beer, with a very comprehensive portfolio and huge amounts of customer data on our hands. Overall, we will focus and invest a lot in our customers and the overall shopping experience.

Our key areas of focus are:

- We want to deliver a better shopping experiences: From the moment our customers enter our web stores until their actual purchase. We want to know how fast they can navigate through our web content, how much we can educate them about our portfolio and how easy it is for them to select our beer and checkout. It has to be fun and seamless.
- We want to provide first class delivery service. It has to be fast, easy and reliable, using only the best logistics providers and highest quality of packaging materials. By having a more premium portfolio, it will be easier for us to provide something our competition cannot, thus giving us a competitive advantage in something local consumers highly value.
- And last, we need to provide customers with differentiated and customizable products. From unique SKUs only available online, customizable bottles and packaging to special gift bundles. By doing so, we will have a very different portfolio of offerings online vs. offline, making the whole experience much more unique.

So, how is this strategy working so far? If we look at our performance so far this year, the results are encouraging. In the first seven months of this year we have already sold three times more beer than in the all of 2014. With these results, we have come from being ranked 5th in 2014 to being ranked the number 1 online player today based on market share. We have done so by focusing on premium with our strong portfolio, dedicated e-Commerce team and strong partnerships. We plan to keep this momentum going, leading the online channel and shaping it for the years to come. Thank you!