

AB InBev Investor Seminar
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Thanks David, and good morning everyone! Providing beer category recommendations for our retailers is not an entitlement, it is a responsibility, and quite frankly, it is the expectation of our retail customers. Surveying our retailer community as David mentioned earlier, it was clear that we needed to become less transactional and become even more customer centric than we had been in the past.

Knowing this, we worked feverishly on rebuilding retailer trust and confidence. We restructured, putting the right people, in the right roles, and we armed them with category leading insights and recommendations branded as the “Balanced Portfolio Approach”.

This began our journey to shape the dialogue to reinforce the overall relevance of beer to the total store. The insights clearly communicated the importance of beer as a big and efficient category. In a complex and competitive environment, retailers need to win with both the largest and the fastest growing beer segments.

Researching 327 Retailer Marketing Areas showed 93% of the winning retailers were doing just that, growing premium and craft trends ahead of the market. In fact, the “Balanced Retailer” had better craft trends than the craft centric retailer, demonstrating the fact that beer segments are not mutually exclusive. After year one, beer category revenue was at an all time high!

We know that some of this was attributed to the BPA recommendations, as we saw premium features turn positive, after years of decline! This was a great first step into category leadership and allowed a clear understanding of the importance of beer, but still, skepticism surrounding the “value” of the beer category existed in the most senior level of our customer’s organizations, most specifically around the beer category being a substantial traffic driver but delivering a net drag to the P&L, with below average retail margins.

Additionally, we had growing concerns that our study, although eye-opening, did not point to specific actions based on winning retailer performance. We set out in 2013 to improve our Balanced Portfolio recommendations, focused on attaining; a better understanding of retailer goals and metrics, better educating retailers about the true value of beer, and better refining our winning retailer analysis to understand winning tactics. We interviewed several retail customers to understand the performance indicators used to track and measure retailer merchandising plans.

We found that Margin Rate was extremely important, but equally as important, were metrics such as: Out of stock reduction, operating profit, revenue growth, market share, sales per foot, and inventory return.

With these key metrics in mind we wanted to understand how the beer category stacked up

next to other key grocery categories. This research clearly illustrates the efficiencies of the beer category. “Beer” punches heavy for its weight as it relates to space allocation and sales mix, delivering 3% of retail dollars at only 2% of the space. Beer delivers due to its efficiency, turning 53 times annually, delivering superior GM\$/ft and GMROI.

Digging further, looking at the retailer’s P&L, we uncovered that beer, despite having a 10 point decrement on margin rate, nets out better than average operating profit. This is due to less fixed cost driven by direct store delivery, which alleviates logistical cost and in-store merchandising support, reducing labor cost. This retail value quantification, levels the playing field for beer, providing a better lens as it relates to category bets within any given retailer merchandising strategy.

We then went further, trying to better understand how to win with this great category. To do this, we needed our category leadership team to take its first step into BIG data. Using syndicated and proprietary data, along with new retailer segmentation, we pulled 40,000 individual outlets, 26.1 GB worth of data. In essence, we created the largest beer category performance study ever conducted. This is a key evolution moving away from beer category trend, to category revenue, a clear picture of who is selling the most beer. The rigor placed on examining the outlet level allowed us to address a concern in the original BPA message a request for “like for like” understanding of the winning retailer strategy and tactics.

Using our proprietary information provided by our wholesaler system along with the very best syndicated data, independent of any specific brewer, we have visibility at the outlet level to category and segment revenues, space, assortment, display, feature, and price to consumer.

We then segmented each Outlet by channel type, route to market, and population density, to ensure that we had a “like for like” retailer analysis. The results are then placed in quartiles, to create a relevant group of winning retailers to analyze. The information is used to provide visibility to competitive benchmarks on revenue and key merchandising metrics, to help provide recommendations on how to grow their entire category with a balanced approach.

This new process is called “Your” Balanced Portfolio Approach, due to the level of retailer customization. Let me run through an example of what we are recommending to our key retailers!

Let’s take retailer X. Retailer X is a supermarket with a heavy focus on couponing and they operate in a densely populated area. They have high market share, and have almost no “like” competitors in their market. Traditionally it would be difficult to tell if this retailer has opportunities. Who do you compare them to? They are the market leader.

With Your BPA, we are able to create opportunities for them by comparing them to other “like” competitors across the country. Based off our new retail segmentation, this retailer is a high population-density Savvy Supermarket.

Of thousands of these types of retailers across the country, the top quartile Savvy Supermarkets generate \$1.0MM in annual beer revenue. That is \$700K more than bottom quartile. Retailer X is a Quartile 2 retailer with \$600K in annual revenue opportunity per store. On average, top quartile retailers have 69 ft of space, retailer X has only 60 feet. They have 20 more SKU's than top quartile, creating SKU complexity and increased inventory.

Our analysis shows Retailer X should have only 306 SKU's, this recommendation is based off the SKU density measure. Retailer X also has display opportunities with an incremental 1 display per week, and 110 cases on display. Additionally, Retailer X features Premiums too infrequently and discounts High End products too much, compared to top quartile retailers.

All of this information is available down to the category segment level, and the recommendations are completely customized for our retailers. This is where we begin to open the gaps and provide a platform to a Joint Business Plan that enables our customers to sell more and make more on the beer category.

Our Joint Business plan framework enables us to move from a transactional environment to a more collaborative customer-centric approach focused around the shopper, our retailer's strategy, and what is important to Anheuser-Busch. The plan is supported by the very best minds in our cross functional departments, providing innovative products and packaging, proven trade solutions, revenue tools, and best in class space and category leadership.

Beer category revenue is expanding rapidly, outperforming total store revenue by a factor of two. Anheuser-Busch is the category leader, and it is our responsibility to cascade the "Your Balanced Portfolio Approach" research along with our JBP Framework to all customers. YBPA has already been recommended to our largest national customers, key regional customers, and we are providing guidelines for our largest independent customers for our wholesalers to carry forward.

Let's look at a brief clip of the guidelines we are providing to our wholesalers. This strategy has been well received, improving our category captaincy position by 6 share points to a 76 share, but more importantly, we are seeing material change in expanding cold space for beer, adding feature space for beer, increasing days of supply for the premium beer segment to ensure in-stock rates, and increased beer displays to drive shopper conversion with the brands that deliver the best category lift.

Again, we have built retailer trust and confidence, we have industry leading research, and we have the very best people, keep watching this team, we are just getting started!! Let's welcome David Almeida back to the stage.