AB InBev Investor Seminar
November 14, 2013
Opening Remarks
Carlos Brito, CEO of AB InBev

Brito: Good morning. Welcome, great to have you here today. As Graham says, [today] it's all about the U.S. We're going to have a great program for you, Luiz and his team. But before that, I'd like to frame the U.S. business within our overall AB InBev business. I think that it is important just to frame it.

First, as you know, our main markets are Brazil, China, Mexico now, the southern cone, Latin American South, as we call it, Canada; those are the main markets but the top two, of course, the U.S. and Brazil, are by far the main markets –within the main markets.

And one of the things that brought us to the U.S. in 2008 was a sense we've always had about the U.S. We've been always very bullish about the U.S. market, about the U.S. as a country, as an idea.

It was interesting because we got here in 2008 – towards the end of 2008, so let's say, 2009 was our first full year, after the financial crisis, integrating the company. For us, it was a transformational deal.

And I remember towards the end of 2009, I think beginning of 2010, I was invited to dinner by one of my neighbors and she was inviting all sorts of people from companies and from entertainment. So, she invited me as a neighbor, newcomer.

And during the dinner, she invited a couple of CEOs to talk about their views on the U.S. because of the financial crisis and what was going to happen in the next few years.

And she asked five of us to talk and I was the last one. The first four were American guys, American CEOs, leading U.S. companies, global companies but U.S.-centric companies. And they, maybe rightly so, they were bearish about the U.S. in those days. And they explained the reasons why they thought it would be their non -U.S business, versus their U.S. business, that would drive their business.

And then it was my turn and I said, “Well, I have a different opinion, I am not an American. We didn’t start our company here. We decided to come here because we liked what we saw here. We like how this whole country and the idea of this country was built on big dream, you know, the can-do attitude, the reinventing of itself, the facing of the brutal facts and moving on, and has created all this wealth, an amazing thing, and we wanted to have exposure to that.”

And so we’re very bullish for those reasons, because it’s a country that was built on culture and people and for the ones that know our company, that’s exactly how we built our company: a big dream, the best people we could attract and more importantly, retain and develop them and a culture of ownership.

So, what you’re going to see here today presenting are not executives, not professionals, but owners. And owners, as we know, make better decisions because they're here to stay. So, we always would rather have an engaged group of owners, as opposed to a selfish bunch of professionals that are just trying to build their resumes; we would rather have owners that are trying to build something bigger than themselves, which is our company.

And these owners stay with us for 20, 30 years, and live with the consequences of their decisions, so that’s why we like it. And we saw a lot of similarities between that and what built the U.S.

Within that idea of the U.S., then we go to the U.S. beer market. And that’s also very attractive, we thought, and we still think, because it’s the number one profit pool in the world. By combining with A-B , we got the number one market position, which gives us lots of benefits. A-B was able to build great brands and we’ll see some of them today here.

And we just believed that we could run the company in a more efficient way by being part of a bigger organization, one that would have a different footprint as opposed to just being U.S.-centric.

And when we got here, we liked everything we saw. We thought we could be more efficient. One of the things we didn't like about what A-B had built was that we liked the market share position; we didn't like the market share composition so much because a lot of it was reliant on what we call sub-premium brands or value brands, brands that carry a lower margin – contribution margin. And that was a big part of the portfolio, 30 percent or so.

And they were selling at a 30 percent discount to Bud and Bud Light, our premium brands. And, in no market where we lead, is that the case. So, we said, OK, we are committed to change that and Luiz will share with you how this is going. We wanted to shrink the price gap between our sub premium and premium brands.

And that's pretty much our culture. I mean, sometimes we create short term issues for long term benefits because, especially being the market leader, we believe that we have the obligation not only to lead the industry, but also to try to influence the industry so it continues on a consistent basis to create value, as opposed to going the wrong way.

So, we don't control the industry but we can control what we're doing inside the company and that's what we said. And that was good because that forced our people, our company, to look up and our culture says it's better always to look up than to look down because when you look up, you get inspired, you get challenged, when you look down, you get lazy and you get comfortable. And the way we built our company has always been to look up to people that are better than us, open gaps, we're here, they're here, that's the gap, that's what we need to close and that's connected to targets, to compensation and that's one of the things that we think works really well in our company.

So, we look at our portfolio and said, OK, we like the market share position, not the market share composition, so we need to give consumers less incentives to trade down, more incentives to trade up and we need to invest in having our portfolio going more up than down. And that's what you've seen and you'll see here today what was done in the last four, five years. A lot has been learned in terms of getting the full portfolio to be more profitable and you'll see that the pipeline is filled with such ideas.

So, again, short term issues for long term benefit. This is very much part of our culture and in the Q&A I can give you other examples. I've been in the business 24 years and we've done that many times.

One of the things that people sometimes don't fully realize about our company is our Board. Our Board is, I think, a very unique Board – Board of Directors – because they have 52 percent of the company represented in the Board. So, they own, and control, the company.

And that gives us two very interesting things. First, they are not on 15 boards; they're not professional board members. They're owners and we love owners, so that's their company, as well as our company. They've been in the company or in the beer business for generations. So they take a very particular interest.

Our Board meetings are, three, four days, because they want to meet the people. They don't manage the company, but they want to meet the people, they want to go to the market, they want to check the execution. It's everywhere, every time in a different market.

And that Board gives us the freedom to create our own problems so we can solve them. Of course, we need to deliver, but they are willing to bet that some of the issues that we create are for long term benefits. So that's something we try to take advantage of and that's how we run our business.

The other thing you will see here today, which is true in lots of our markets, are the drivers for value creation in our markets. First of all, people. That's always where everything starts. And one thing that called our attention after A-B is how much more attractive we became as a company.

So, it's amazing because before A-B, before 2008, we've always been able to attract very good regional talent, but with the advent of A-B, we now are able to attract global-minded talent, which has made a huge difference. Some of this talent you see here today presenting to you. So, people is the first driver of our business and you will see lots of these great people here today.

Second driver is brands. That's what consumers buy. And you'll see again the kind of brands we have. We have six out of the top ten brands in the U.S. We have the number one brand in the U.S. by far, Bud Light. I'm not saying everything is perfect; you'll see some of the gaps and how we're addressing them, but it's a great base to do business from and to expand from.

The third driver is route to market. How we access point of sales, how we execute in the point of sales. We have a very, very good wholesaler system in the U.S. It's a hybrid system; we have wholesalers and we have company owned distributors, what we call WODs. It's nine to ten percent in terms of volume.

And what I like is that our wholesaler system, despite the fact that we don't agree on everything, more importantly we are aligned on the main things and for me, the most important thing in terms of metrics, is that more than 90 percent of the volume they sell is our brands, and that's very different from the competitive set we see in the U.S.

And that gives us a lot of alignment because we're talking 90 percent of the times or more about the same things. So, when we come with an idea, they're all in. If they've got a good idea to market, we execute the hell out of it. So, it's a great route to market.

And the fourth point is what we call the sales machine. The sales machine is something that you see. We have a whole bunch of best practices that come from other countries that we learn from here. It goes both ways. You see how that toolkit has been evolving and that is great because in terms of brand building, how to get that to the market, how to execute, sales and marketing is very coordinated. You'll see that here today. From insights, we go, we plan things for the brands, and the sales team goes to wholesalers, to the WOD, and get the help in terms of execution in the market. So, a great execution.

And the fifth thing is scale. If you look at our market share and our share of profits in the U.S., you'll see that our share of profit is way bigger than our market share and that allows us or enables us to afford properties and launches and things that we can do that we think are a competitive advantage, and we are exploiting that.

So, I just wanted to frame, again, why we’re bullish about the U.S., why the US beer business remains very attractive and how we are trying to grow the business, and a little bit about our culture and how we grow the company.

With that, again, welcome and let me welcome Luiz Edmond to stage.
Thank you very much.

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