

AB InBev Investor Seminar
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Adam Oakley, VP High End - High End brands

My name is Adam Oakley. I'm thrilled to be here to share an overview of our High-End business. But before we get into the plans, a quick bit about me. I started with Colgate-Palmolive in their High-End Health and Beauty group in Western Europe. I then moved to Diageo to work on their Hard Liquor business.

In 2007, I joined ABI in Europe and in 2010, I moved to the U.S. to work on ABI's High-End portfolio. The High-End is where I've spent my career and it's truly what inspires me. In US beer, we define the High-End as any brand priced 20% or more above Bud Light. And as Luiz said, High-end beer continues to grow, accounting for about 19% of all beer volume.

Contrary to popular belief, growth is not being driven by small, local craft brands. In fact YTD 81% of high-end growth has come from the big 5 brewers – ABI, Miller Coors, Heineken, Boston Beer and Crown. ABI has a strong portfolio of more than 15 high-end brand families.

However, we focus the majority of our resources and investment on the most unique and compelling: Stella Artois, Shock Top and Goose Island. It is these three brand families I will talk about today. But before I go into more detail, I would like to say that we believe there's so much upside on Stella Artois, Shock Top and Goose that we are significantly increasing marketing investment on each in 2014 and beyond.

Let me talk first about Stella Artois - the world's most sophisticated beer brand. The chart you see behind me shows the percentage of consumers who view each brand as sophisticated. Look at the gap versus Heineken, Peroni and Sam Adams. And it's not just about image.

Since 2007 Stella Artois has delivered consistent volume growth, with an average CAGR of 18%. It's also important to note this growth has been achieved at a significant price premium to other imports and crafts: +13% vs Heineken, for example. In addition, significant upside still remains - Stella Artois has only 51% brand awareness in the US.

Like I said, for Stella Artois it's all about sophistication... and that sophistication is driven by three factors: the Stella Artois Chalice, Belgian heritage and the brand's Christmas tradition.

The Stella Artois' Chalice really is a thing of beauty. It embodies everything sophisticated, elegant and European about the brand – and even evokes wine imagery. In fact, like a wine glass, the chalice was originally designed to enhance aroma and flavour. Have a look at these two TV spots to see how we market the chalice (2 Stella Artois commercials play.)

The second sophistication driver for Stella Artois is its Belgian heritage. For our US target consumer, being an authentic Belgian beer adds masses of credibility. Like wine from

France, US High-end consumers believe the best beer in the world originates from Belgium. And Stella Artois has something no other major beer brand has: more than 600 years of Belgian brewing expertise. We leverage this claim in much of our communication, including packaging.

The third sophistication driver for Stella Artois is its Christmas heritage. Stella Artois was originally created as a limited edition "Christmas brew". Have a look at how we celebrate our Christmas heritage in this TV spot. (Stella Holiday Commercial plays.)

In the US we added a new member to the Stella Artois family this year: Stella Artois Cidre. Stella Artois Cidre is a dry, distinctive Belgian-tradition cider made with hand-picked apples - very different from the traditional, sweet ciders that dominate the US market.

We introduced Stella Artois Cidre for two reasons. One, the apple category is exploding, up 109% YTD. Two, Cider occupies a 'sweet spot' between beer and wine in the US, offering a unique opportunity for Stella Artois to steal volume from wine.

In fact, since launch, 66% of Stella Artois Cidre's volume has come from OUTSIDE beer and cider. To get a sense of how the marketplace is reacting to Stella Artois Cidre, have a look at this video we made of wholesalers, retailers and consumers in the heart of wine country - Napa Valley. (Cidre Napa Valley Video plays.)

The second priority High-End brand I want to talk to you about is Shock Top. Our research shows there are actually two types of craft beer drinkers, not one. We categorize them as "Accessible" and "Discovery" craft drinkers.

Accessible craft consumers are influenced by advertising. They're image-driven, price sensitive, typically younger adults and often 'new to craft'.

In comparison, Discovery craft drinkers are more interested in brewers' back-stories. They seek bolder beer styles and are more discerning about the beers they purchase and share with their friends.

Accessible craft consumers drink brands like Blue Moon, Leinenkugel and Redd's.

Discovery Craft consumers drink Sam Adams, Sierra Nevada and Fat Tire.

And most importantly, Accessible craft accounts for 60% of craft volume, Discovery craft 40%.

Our 2014 craft strategy is very simple; Shock Top targets Accessible craft, while Goose Island targets Discovery craft.

Shock Top launched in 2005 and is now the 7th largest High-End brand in the US. Shock Top has a diverse range of over 6 variants. But its flagship brew is an unfiltered wheat beer called Belgian White, brewed with coriander, spices and orange peel in the Belgian 'witbier'

tradition.

There are two secrets to Shock Top's success. First and foremost, it has a totally unique positioning within beer, especially craft. It's all about Living Life Unfiltered.

For our 21-29yrs old consumer, Living Life Unfiltered means living your dreams and living life to the max. It means not taking yourself too seriously. And it means keeping the beer unfiltered so all the tasty bits remain for more flavor. Have a look at these two new ads to get a sense of Shock Top's philosophy. (2 Shock Top Commercials play.)

They feature REAL consumers, not actors. We asked millions of our drinkers to tell us their dreams. Several impressed us so much that we made their dreams come true.

The second secret to Shock Top's success is creative, incremental innovation. Let me show you a few examples.

Shock Top Apple wheat is a totally unique hybrid of sweet cider and beer, made with premium Honey Crisp Apples and spices. Shock Top Apple Wheat is designed as the perfect summer beverage. Have a look at this video, with commentary from our brew master Jill Vaughn. In it, Jill also talks about Lemon Shandy, our other summer brew. (Video with Brewmaster Jill Vaughn plays.)

Shock Top Lemon Shandy is one of our seasonal beers, available every year between March and September.

Another of our other seasonal offerings is Chocolate Wheat, launching December 3rd. It's an unfiltered wheat beer with a blend of chocolate and caramel malts, aged over cocoa and vanilla beans. The idea is you POUR Chocolate Wheat and Belgian White into the same glass to make a very special brew, called Choc Top! That's C-H-O-C, not S-H-O-C-K. And true to Shock Top's unique positioning, we have fun with this. In the on-premise, we recommend retailers put the Chocolate Wheat tap next to Belgian White so the bartender can mix them up and create a CHOC Top on the spot.

Retailers can then dress the taps with these very special Christmas hats and lights. Shock Top has grown rapidly since launch, with very little marketing support. In fact it's taken Shock Top only 7 years to achieve the same volume it took Blue Moon 14 years. And only 33% of Americans are aware of Shock Top, so there's HUGE upside.

Finally, I'd like to talk about our third priority High-End brand, Goose Island. Goose Island is a craft beer company launched in Chicago in 1988 by Englishman John Hall, inspired by the Fullers Brewing Company in London. It expanded rapidly in Chicago and joined the ABI family in 2011.

Goose has an incredible reputation for outstanding beer and experimental innovation, led by head brew master Brett Porter. Goose Island has 3 core product lines.

The first of these is 312, Goose's urban wheat beer. 312 is a 4.2% abv unfiltered wheat.

The second is what we call the 'Classic Line': consisting of an IPA and Honker's Pale Ale, among others. Both Goose's 312 and Classic IPA are multiple Great American Beer Festival award winners. In addition IPAs are the fastest growing craft style in the US, accounting for more craft volume than any other style apart from wheat beer. And Goose Island's IPA is the fastest growing IPA brand in the US!

The third core product range is the Vintage Line, made up of delectable beers like Matilda and Sophie. Sophie is a 6.5% abv Belgian Style Farmhouse Ale, fermented with wild yeasts and aged in wine barrels with orange peel. Matilda is a spicy and fruity Belgian style Pale Ale, brewed to 7% abv with the special yeast *Brettanomyces Bruxellensis* and a blend of three hops.

Have a look at this short film to get a sense of Goose Island's philosophy, particularly their gritty pursuit of perfection. (Goose Island – This is what matters- video plays.)

As well as permanent offerings like 312 and our Classic IPA, Goose Island makes many limited edition experimental beers throughout the year. Examples include Bourbon County Rare, a 14.5% abv stout, barrel-aged for 2 years and retailing at \$43 a bottle. That's TEN times the typical price of a High End 22oz bottle.

This image shows consumers queuing to buy limited release Bourbon County Rare at a Chicago retailer. Since joining the family, ABI has ensured Goose has retained its operational independence. To succeed, it's critical Goose remains true to its innovative, urban Chicago roots.

ABI's biggest contribution has been to provide Goose full access to its sales & distribution network. In 2013 Goose began a national roll-out. As you can see from this slide, Goose Island is growing faster than any of its craft competitors. With only 17% awareness nationally, there remains nothing but upside.

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