

A close-up photograph of several hands holding glasses of golden beer with white foam. The background is blurred, showing other people in a social setting.

**AB InBev**

# Full Year 2016 Results

2 March 2017

© AB InBev 2017 – All rights reserved

# Legal Disclaimers

Certain statements contained in this report that are not statements of historical fact constitute forward-looking statements, notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in the future filings of the Company with the competent securities regulators or other authorities, in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements.

Forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the Company's control and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others: (i) local, regional, national and international economic conditions, including the risks of a global recession or a recession in one or more of the Company's key markets, and the impact they may have on the Company and its customers and its assessment of that impact; (ii) financial risks, such as interest rate risk, foreign exchange rate risk (in particular as against the U.S. dollar, the Company's reporting currency), commodity risk, asset price risk, equity market risk, counterparty risk, sovereign risk, liquidity risk, inflation or deflation; (iii) continued geopolitical instability, which may result in, among other things, economic and political sanctions and currency exchange rate volatility, and which may have a substantial impact on the economies of one or more of the Company's key markets; (iv) changes in government policies and currency controls; (v) continued availability of financing and the Company's ability to achieve its targeted coverage and debt levels and terms, including the risk of constraints on financing in the event of a credit rating downgrade; (vi) the monetary and interest rate policies of central banks; (vii) changes in applicable laws, regulations and taxes in jurisdictions in which the Company operates; (viii) limitations on the Company's ability to contain costs and expenses; (ix) the Company's expectations with respect to expansion plans, premium growth, accretion to reported earnings, working capital improvements and investment income or cash flow projections; (x) the Company's ability to continue to introduce competitive new products and services on a timely, cost-effective basis; (xi) the effects of competition and consolidation in the markets in which the Company operates; (xii) changes in consumer spending; (xiii) changes in pricing environments; (xiv) volatility in the prices of raw materials, commodities and energy; (xv) difficulties in maintaining relationships with employees; (xvi) regional or general changes in asset valuations; (xvii) greater than expected costs (including taxes) and expenses; (xviii) the risk of unexpected consequences resulting from acquisitions (including the combination with SABMiller plc (the "Transaction")), joint ventures, strategic alliances, corporate reorganizations or divestiture plans, and the Company's ability to successfully and cost-effectively implement these transactions and integrate the operations of businesses or other assets it has acquired; (xix) an inability to realize synergies from the Transaction; (xx) the outcome of pending and future litigation, investigations and governmental proceedings; (xxi) natural and other disasters; (xxii) any inability to economically hedge certain risks; (xxiii) inadequate impairment provisions and loss reserves; (xxiv) technological changes and threats to cybersecurity; and (xxv) the Company's success in managing the risks involved in the foregoing. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made.

The Company's statements regarding financial risks are subject to uncertainty. For example, certain market and financial risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market or financial risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated. Subject to the Company's obligations under Belgian and U.S. law in relation to disclosure and ongoing information, the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any offer, solicitation or sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction. By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the above limitations.

# Highlights of the year

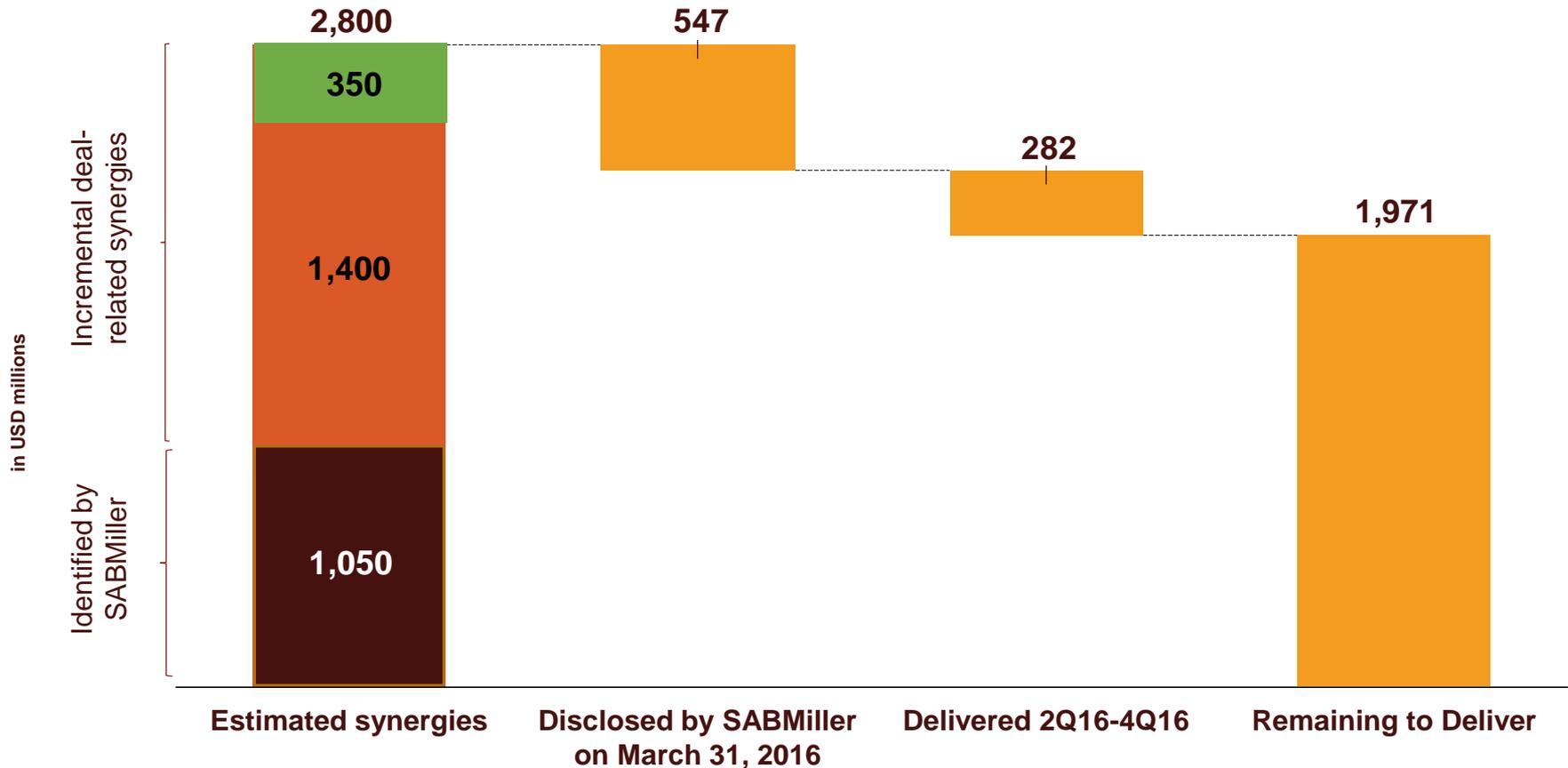
- Completion of **milestone transaction**
- **Solid performances** from most of our markets in the context of a challenging year, especially in Brazil
- Continued success of our **global brands**
- **Premiumization** delivered revenue per hectoliter growth
- Strengthening our **better world** initiatives

# Successful completion of combination with SABMiller

- Creates the first truly global brewer and one of the world's **leading consumer products companies**
- Leadership position in **eight of the top ten** world's largest profit pools
- Rich portfolio including **seven of the top ten** most valuable beer brands in the world
- Largely **complementary geographic footprint** with access to many more high-growth regions
- Creates opportunities for consumers everywhere to taste and enjoy the **world's best beers**
- Leverage **talent, expertise and insights** to further enhance the experience for consumers

# Fast start to synergy delivery

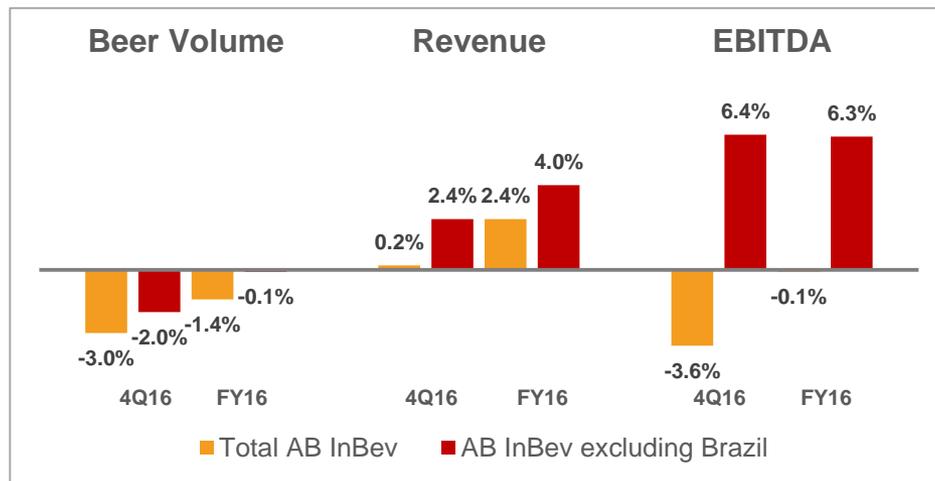
- Updating our total synergy guidance to **2,800m USD**, with 1,971m USD remaining to be delivered (on a constant currency basis as of August 2016) over the next 3-4 years
- Estimated one-off cash costs of ~900m USD over 3 years, of which 158m USD has been spent



# FY16 Financial Summary

## Solid results from most markets, but weak performance in Brazil

- **Total Revenue +2.4%**
  - Revenue per hl **+4.5%**, **+4.1%** on a constant geographic basis
  - Global Brands **+6.5%**
- **Total Volumes -2.0%**
  - Own beer **-1.4%**, non-beer **-6.2%**
- **EBITDA -0.1%**, and EBITDA margin down by **92 bps** to **36.8%**
- **Normalized EPS** of **\$2.83** versus **\$5.20** in FY15, driven by higher net finance results and unfavorable currency translation
- Proposed **Final Dividend** of **€2.00 per share**, bringing total for FY16 to **€3.60 per share**



# Global Brand Revenues +6.5% in FY16

## Budweiser +2.8%

- Ranked as the most valuable alcohol brand in the world<sup>1</sup>
- Double or triple digit growth in more than 15 countries
- Launched global Halloween and Tomorrowland campaigns
- Prohibition Brew (0% ABV) launched in Canada, far exceeding projections



<sup>1</sup>Source: Interbrand

**ABInBev**



## Stella Artois +6.3%

- Expanded to 5 new markets
- Launched “Be Legacy” global equity campaign and Le Savoir food & savor experiential platform
- 135,000 chalices sold and nearly 800,000 people impacted by Buy a Lady a Drink campaign, driving brand health and consideration
- Double digit growth across 4 markets

## Corona +14.3%

- Revenue grew by 21%, excluding Mexico, with double digit growth in 23 countries
- Successful worldwide launch of “This is Living” campaign
- 4,000 total Sunset activations worldwide, with all major Sunsets Festivals sold out in 2016



© AB InBev 2017 – All rights reserved

# Consistent global commercial priorities tailored to local markets

## Growing our global brands

Leveraging the strength of **Budweiser, Stella Artois and Corona** to form strong connections

- Distinct image and consumer positioning
- Increasing our **investments** in sales and marketing

## Premiumizing and invigorating beer

Creating more **excitement and aspiration** around beer, especially among millennial consumers

- Bringing **new vigor and energy** to the consumer's experience with beer
- **Craft development**

## Elevating core lager

Raising the **perception and relevance** of our core lager beers

- Compelling, **differentiated** messaging
- Programs **conveying** the **unique character and quality** of our brands
- Large **scale** activations

## Developing the near beer segment

Our near beer offerings are responding to **consumer demand** for more **choice** and **excitement**

- **Innovative products** that offer malt beverage alternatives
- Competing for **share of total alcohol**

# North America - FY16 Summary

- Volumes **-1.6%**, **-3.5%** in 4Q16
- Revenue **+0.1%**, **-1.9%** in 4Q16
- Beer revenue per hectoliter **+1.8%**, due to revenue management initiatives and brand mix
- EBITDA **+2.0%** with **margin expansion** of **76 bps** to **39.8%**



# US - FY16 Summary

- Industry STRs **-1.0%**, **-1.6%** in 4Q16
- ABI STRs **-2.0%**, **-2.7%** in 4Q16
- Market share **decline** of **50bp**
- ABI volumes (STWs) **-1.7%**, **-3.6%** in 4Q16
- Revenue **0.0%**, **-2.1%** in 4Q16
  - Revenue per hl growth of **1.8%**, **1.6%** in 4Q16
- Gross margin up **222 bps**, a **seventh straight year** of gross margin expansion
- EBITDA **+2.2%** with **margin expansion** of **84 bps** to **40.1%**



# US: Commercial Priorities

## Growing our global brands

### Budweiser

- Share loss of 25 bps in 2016, maintaining best share performance in a decade

### Stella Artois

- Double-digit growth for 23 straight quarters



## Premiumizing and invigorating beer

### Craft Portfolio

- Regional craft portfolio growing over 30%

### Shock Top

- Prioritizing efforts to reverse brand's decline through fresh new look



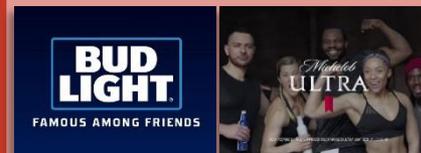
## Elevating core lager

### Bud Light

- STRs down mid-single digits in 2016
- New "Famous among Friends" campaign receiving early positive feedback

### Michelob Ultra

- Continuing to invest behind the fastest growing brand in the US



## Developing the near beer segment

### Ritas

- Share trends improving

### Best Damn

- Launched hard soda brands, capturing share in the segment



# Latin America West - FY16 Summary

- Volumes **+6.0%**, **+2.2%** in 4Q16
- Revenue **+9.3%**, **+4.9%** in 4Q16
- Beer revenue per hectoliter **+3.1%**, due to revenue management initiatives and premiumization
- EBITDA **+5.6%** with **margin contraction** of **160 bps** to **45.8%**



# Mexico: Commercial Priorities

## Growing our global brands

### Budweiser

- Accelerating growth, especially in the North region

### Stella Artois

- Leveraging “celebration” occasions



## Premiumizing and invigorating beer

### Modelo Family

- Developing the family of brands with focus on food occasions

### Michelob Ultra

- Strong growth with continued focus on building awareness



## Elevating core lager

### Corona

- All-time high “preference” ratings

### Bud Light

- Continued growth in new regions

### Victoria

- Ongoing success of Mexican heritage campaign with LDAs



## Developing the near beer segment

### Vickychelada

- Off to a fast start with favorable reception from consumers



# Colombia: Commercial Priorities

## Growing our global brands

### Budweiser

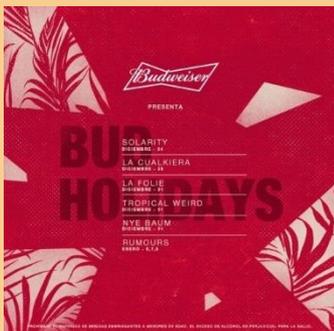
- Media & experiential “holiday” campaign

### Stella Artois

- Brand launched in 2016

### Corona

- Developing the super premium segment



## Premiumizing and invigorating beer

### Club Colombia

- Launched Club Colombia Wheat to drive category appreciation



## Elevating core lager

### Aguila

- Execution of equity campaign

### Aguila Light

- “From sun to sun” campaign highlighted by an original song with over 11m YouTube views



## Developing the near beer segment

### Redd's Apple

- Launched in October and focused on developing the flavored beer category



# Latin America North - FY16 Summary

- Volumes **-5.9%**, **-6.6%** in 4Q16
- Revenue **-3.9%**, **-9.2%** in 4Q16
- Beer revenue per hectoliter **+2.0%**, due to revenue management initiatives offsetting a tough comparable base
- EBITDA **-16.7%** with **margin contraction** of **686 bps** to **44.3%**



# Brazil - FY16 Summary

- Industry beer volumes **-5.3%**,  
**-6.2%** in 4Q16
- ABI volumes **-6.5%**,  
**-7.1%** in 4Q16
  - Beer volumes **-6.6%**,  
non-beer volumes **-6.0%**
- Beer market share of **66.3%**,  
based on Nielsen
- Revenue **-5.3%**, **-11.3%** in 4Q16
- EBITDA **-19.9%** with **margin contraction** of **827 bps** to **45.3%**



# Brazil: Commercial Priorities

## Growing our global brands

### Budweiser

- Double digit growth (>20%) for the fifth consecutive year

### Stella Artois

- Launch of new 550ml RGB in the on trade



## Premiumizing and invigorating beer

**Our premium portfolio continues to grow despite the challenging environment**



## Elevating core lager

### Skol

- New campaign and visual brand identity

### Brahma

- Brahma Extra showing exponential growth, enhancing the mother brand



## Developing the near beer segment

### Skol Beats Family

- Launch of Skol Beats Secret that, along with Senses and Spirit, represent over 1% of Brazil beer volume
- Growing through incremental volumes



# Latin America South - FY16 Summary

- Volumes **-5.6%**, **-2.0%** in 4Q16
- Revenue **+16.9%**, **+21.8%** in 4Q16
- Beer revenue per hectoliter **+23.8%**, due to price increases in line with inflation and revenue management initiatives
- EBITDA **+23.4%** with **margin expansion** of **263 bps** to **50.2%**



# Europe, Middle East & Africa - FY16 Summary

- Volumes **-2.4%**, **-4.1%** in 4Q16
- Revenue **+4.2%**, **+3.8%** in 4Q16
  - Western European revenues up **mid-single digits**, with market share gains in **6 out of 7** markets
- Revenue per hectoliter **+6.8%**, due to premiumization and country mix
- EBITDA **+3.7%** with **margin contraction** of **14 bps** to **29.5%**



# South Africa: Commercial Priorities

## Growing our global brands

**Stella Artois and Corona have been launched, and Budweiser will follow later this year**



## Premiumizing and invigorating beer

### Castle Lite

- Launched Quick Chill 12 pack, which gets your beer colder in half the time
- Activated #ExtraColdForce takeover at 5 major events in 4Q16



## Elevating core lager

### Carling Black Label

- “Here’s to You” campaign generated 1.75 million entries of “everyday champions”

### Castle Milk Stout

- Music activation covered at 12,000 outlets



## Developing the near beer segment

### Brutal Fruit

- Cranberry-Rosé launch went well, driven by success of 660ml returnable bottle

### Flying Fish

- Good finish to the year with increased demand in December



# Asia Pacific - FY16 Summary

- Volumes **-1.2%**, **-4.7%** in 4Q16
- Revenue **+1.5%**, **-5.0%** in 4Q16
- Beer revenue per hectoliter **+2.7%**, due primarily to brand mix
- EBITDA **+5.4%** with **margin expansion of 99 bps to 27.1%**



# China: Commercial Priorities

## Growing our global brands

### Budweiser

- Continued volume growth through our music platforms, night life activations and new occasions



## Premiumizing and invigorating beer

### Stella Artois

- Increasing awareness by owning food and savor occasion

### Corona

- Growing the super premium segment by enhancing the brand experience, especially with Sunsets platform



## Elevating core lager

### Harbin

- Launched Harbin Wheat beer, “Baipi”, nationwide
- Food bonding campaign to drive frequency



## Developing the near beer segment

### Mixxtail

- Further innovation to increase penetration in-home



# A Growing World: 2016 highlights



Drive agricultural productivity and resilience, enhancing the livelihoods of people across our markets

Enable small retailers and people in their surrounding communities to grow and thrive

- **4e small retail program**, helping over 20,000 shopkeepers develop skills to improve their business sustainability and quality of life
- **SmartBarley program**, to cultivate the highest quality barley with the best yields and lowest cost
- In Africa, brewing beer from **local crops** grown by smallholder farmers to make beer more affordable



# A Cleaner World: 2016 highlights



## A Cleaner World

Where our natural resources  
are shared and preserved  
for the future

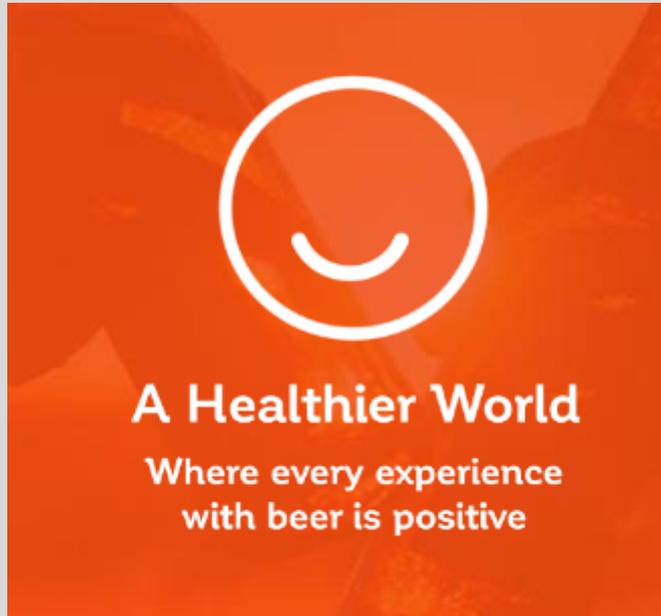
Improve clean water access and  
security for people across our  
markets

Source renewable electricity and aim  
to recover packaging we put on the  
market

- Stella Artois' **Buy a Lady a Drink** program with Water.org aims to tackle the global water crisis and has helped provide clean water to nearly 800,000 people in the developing world
- Scaling **water stewardship efforts** by engaging in watershed protection partnerships
- **Early delivery** of many of our 2017 Environmental Goals, including improving water and carbon efficiency in our breweries and rolling out eco-friendly coolers with our retailers



# A Healthier World: 2016 highlights



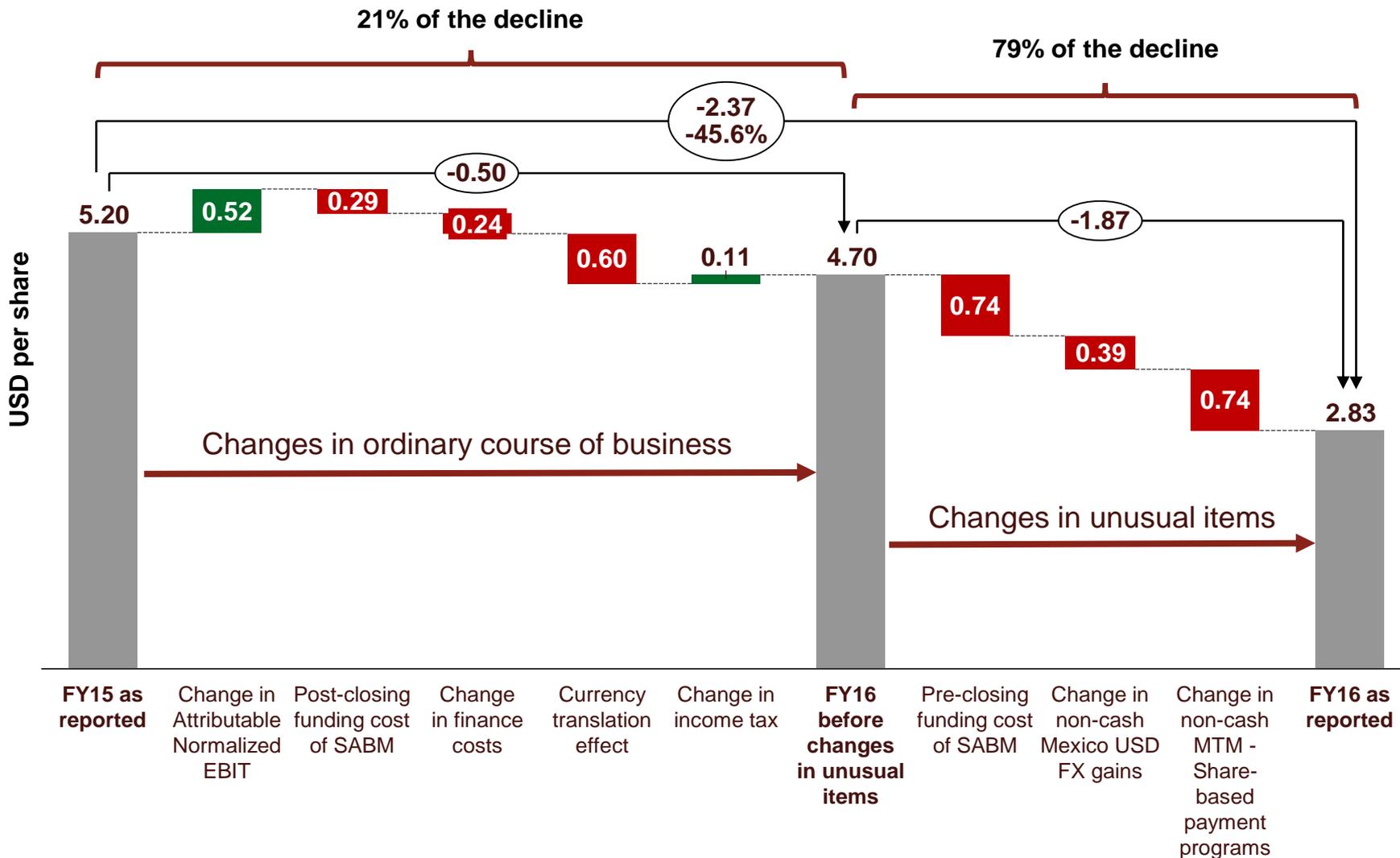
Enable well-living, offering appealing no- and low- alcohol beer products around the world, representing 20% of global beer volume

Reduce the harmful use of alcohol with initiatives directly impacting some of our major cities

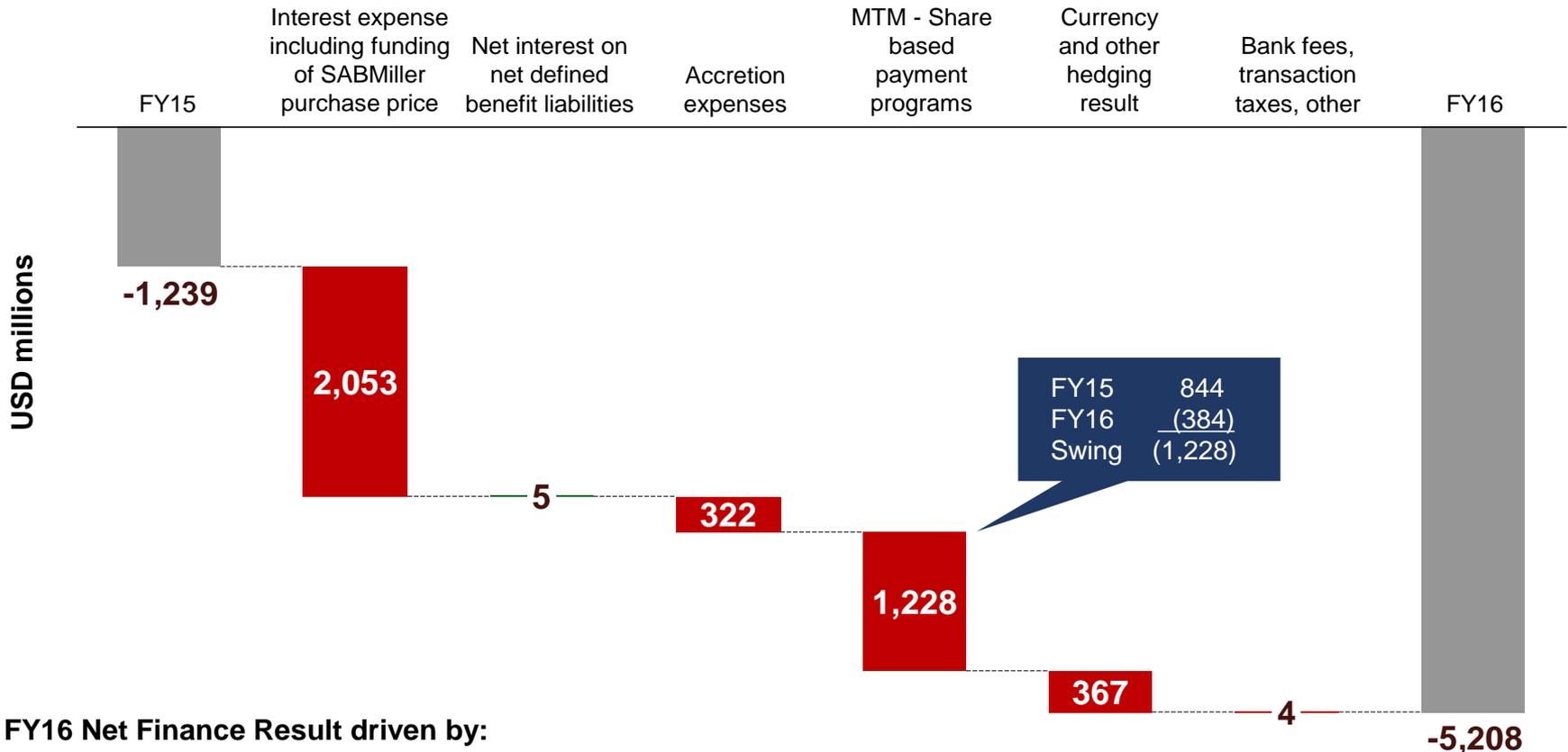
- Continued progress on our **Global Smart Drinking Goals**, empowering consumers to make smart drinking choices
- Goal to have **low and no-alcohol beer products** represent 20% of our global beer volumes by 2025. This year we launched two 0.0% ABV global brands: Budweiser Prohibition and Corona Cero
- Established **AB InBev Foundation** with a commitment to address harmful alcohol use and spread ideas advancing broader health and social issues



# Normalized EPS down from \$5.20 to \$2.83 in FY16, largely due to unusual items



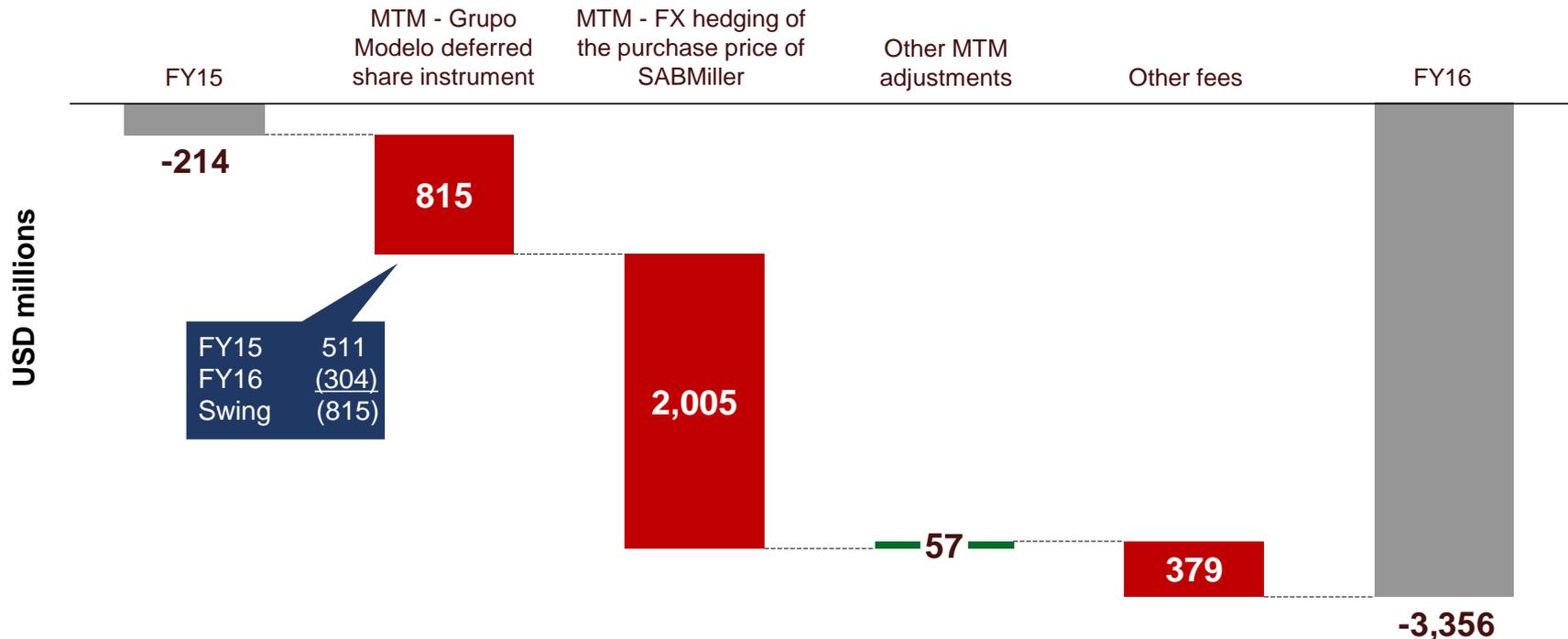
# Increase in Net Finance Costs driven mainly by interest expense resulting from bond issuances



## FY16 Net Finance Result driven by:

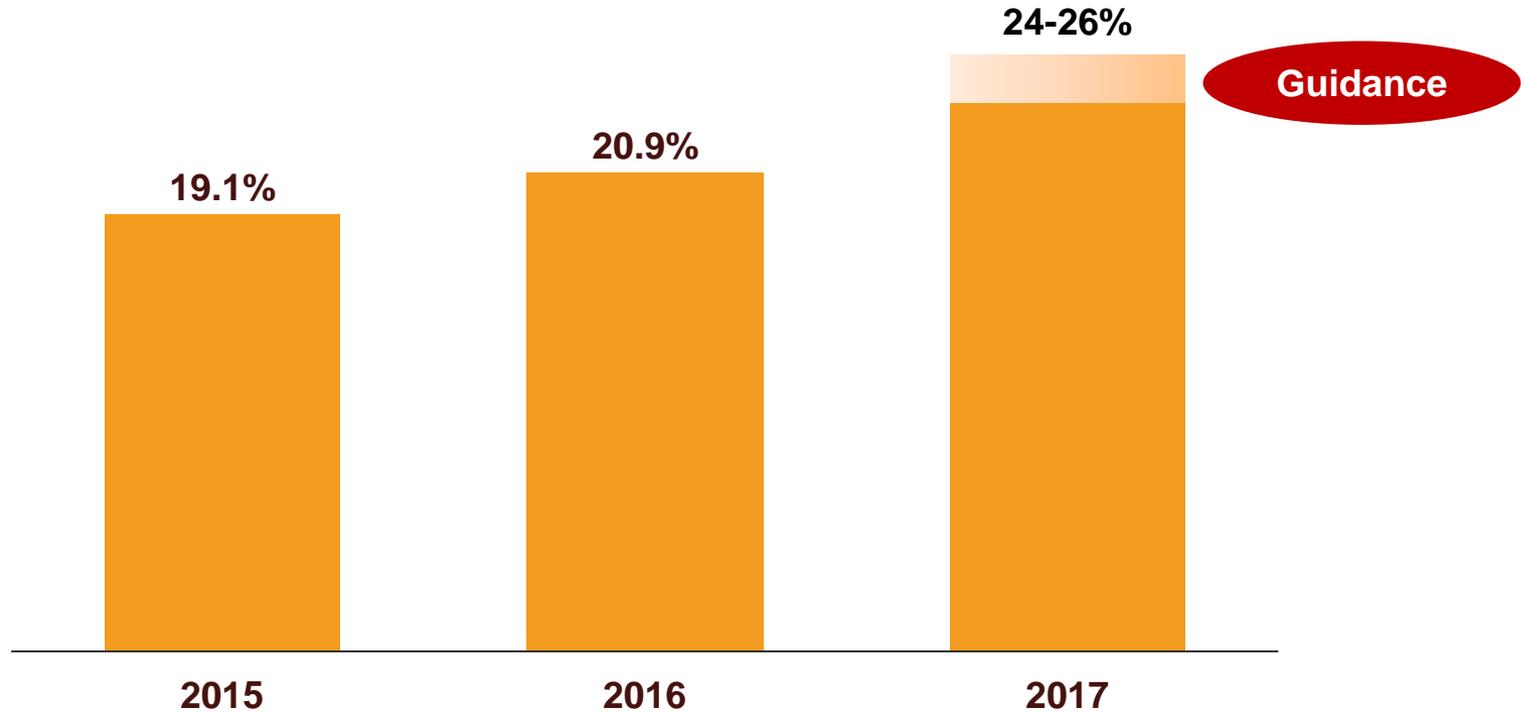
- Net cost of the funding of the SABMiller purchase price, included in interest expense
- Negative MTM adjustment of 384 million USD linked to the hedging of our share-based payment programs, compared to a gain of 844 million USD in FY15
- Lower foreign exchange translation gains compared to FY15

# Non-recurring net finance costs of 3,356 million USD driven by FX hedging of SABMiller purchase price



- Negative mark-to-market adjustment of 2,005 million USD related to the portion of the FX hedging of the purchase price of the combination with SABMiller that does not qualify for hedge accounting under IFRS rules
- Negative mark-to-market adjustment of 304 million USD resulting from the derivative instruments entered into to hedge the deferred share instrument issued in a transaction related to the combination with Grupo Modelo, compared to a gain of 511 million USD in FY15
- Other fees of 379 million USD relate mainly to commitment fees for the 2015 committed senior acquisition facilities

# Normalized Effective Tax Rate (ETR)



## Normalized ETR in FY16 impacted by:

- Mark-to-market losses linked to the hedging of our share-based payment programs
- Change in country profit mix following the combination with SABMiller
- Offset by reporting in 3Q16 of previously unrecognized deferred tax assets on carry forward losses and the reversal of deferred tax liabilities following a change in tax law in Argentina

## Guidance for FY17 reflects an increase versus FY16 mainly due to:

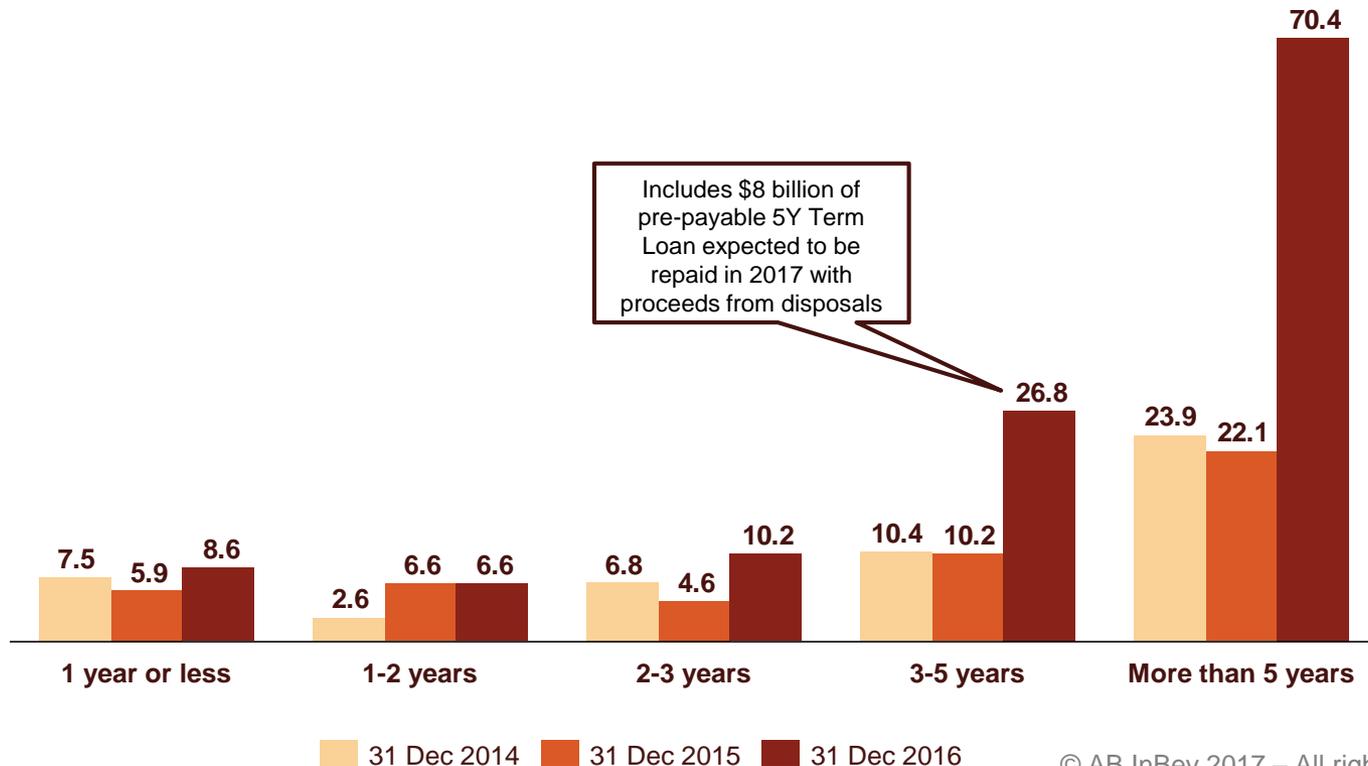
- Change in country profit mix following the combination with SABMiller, in addition to the fact that incremental earnings will be taxed at full rates

# Favorable debt maturity profile

Debt maturity profile is staggered to ensure that cash flow from operations is sufficient to cover annual maturities

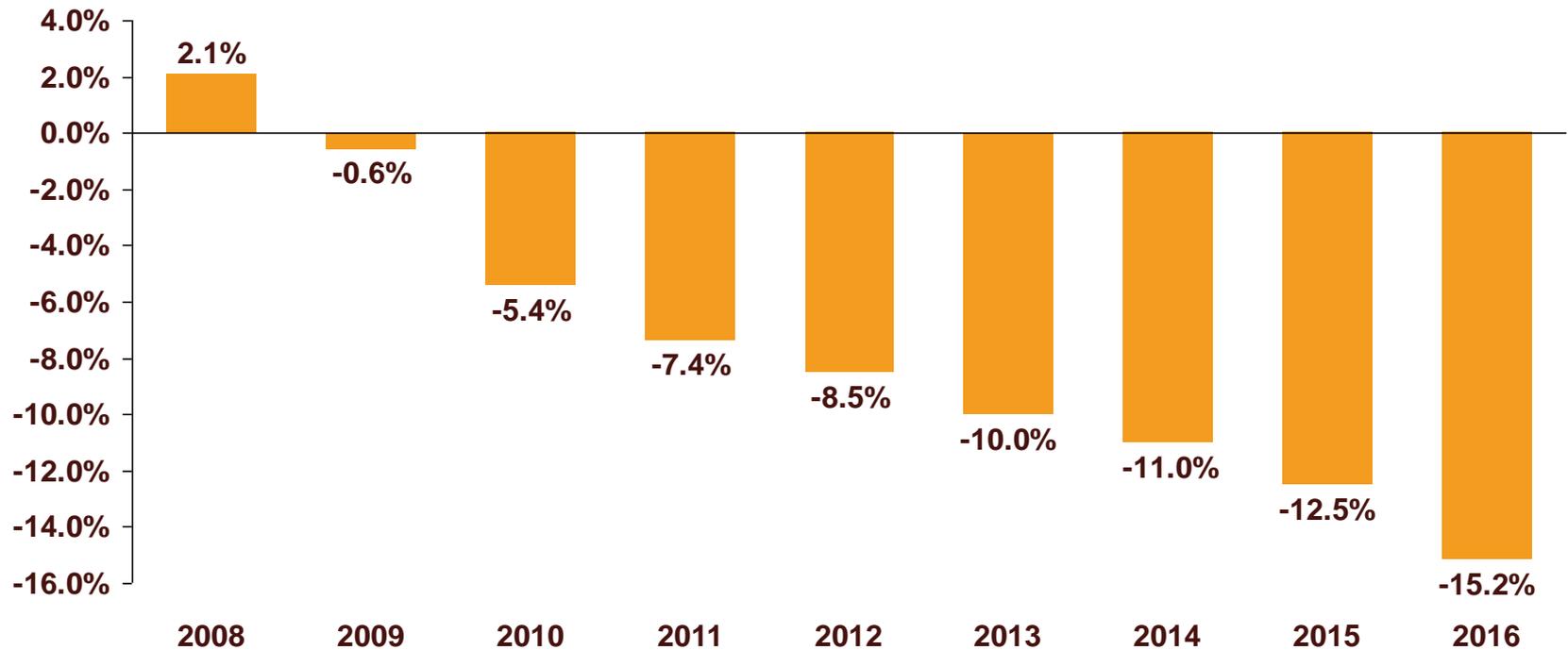
## 2016 Capital Raises

- **47.5 billion USD bonds:** Average tenor **14.7** years, average coupon **3.8%**
- **13.25 billion EUR bonds:** Average tenor **10.4** years, average coupon **1.6%**



# Continued improvement in Core Working Capital

Core Working Capital (CWC) as a % of Net Revenues <sup>(1)</sup>

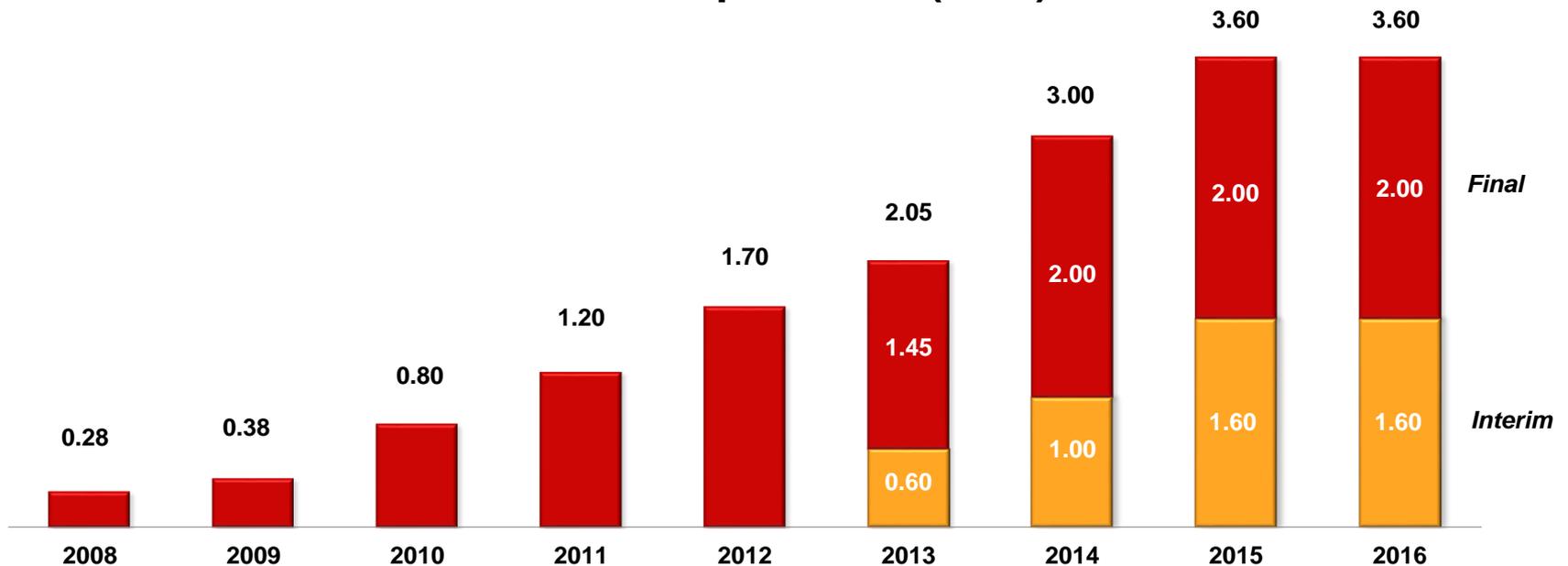


1) Yearly average (on a rolling 12 month basis). CWC includes elements considered "core" to the operations. For example, core receivables would include items such as trade receivables, other receivables (i.e. marketing prepayments), cash guarantees, loans to customers, non-income tax receivables, packaging deposits, and excludes derivatives, payroll-related receivables, deferred consideration on sales of assets, dividend receivables, interest receivables. Core payables includes items such as trade and other payables, non-income tax payables, packaging deposits, and cash guarantees but excludes derivatives, payroll-related payables, deferred consideration on acquisition, dividend payables, interest payable. There is no change to the calculation of Inventories, we include the same amounts for CWC as for Working Capital (as defined in our Financial Statements).

3) 2008 NA includes only 6 weeks of the legacy AB business. Results prior to 2013 exclude Grupo Modelo. Results exclude SABMiller.

# Final proposed dividend of €2.00 per share

Dividend per share (EUR)



# Capital Allocation objectives

Our **optimal capital structure** is a Net Debt/EBITDA ratio of approximately 2x.

The priorities for the use of cash are as follows:

1. **Organic growth:** Investing in the organic growth of our business
2. **Deleveraging:** Deleveraging to around the 2x level remains our commitment
3. **Selective M&A:** Non-organic, external growth is a core competency and we will continue to consider suitable opportunities when and if they arise, subject to our strict financial discipline and deleveraging commitment
4. **Return of cash to shareholders:** Our goal is for dividends to be a growing flow over time in line with the non-cyclical nature of our business. Given the importance of deleveraging, dividend growth is expected to be modest

# Q&A

