

AB INBEV'S INVESTOR SEMINAR 2018
JOHANNESBURG, SOUTH AFRICA
TUESDAY, 7 AUGUST 2018
CHIEF EXECUTIVE OFFICER – CARLOS BRITO

SLIDE 1

Good afternoon everyone. It is a pleasure to welcome you all to the great country of South Africa.

A few things people may not know about me before we get started with today's agenda:

I was born in Rio de Janeiro.

I have been with the Company for almost 30 years, and...

You probably do know that my favorite beer is Budweiser, the King of Beers.

The thing I am proudest of, is AB InBev's culture, DPC, our Dream / People / Culture Platform, which is our secret sauce and what we believe has really allowed us to Dream Big and Deliver.

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I plan to use my presentation today as an introduction to the great content we have prepared for you over the next three days.

I am confident that at the end of these days you will share the confidence I have in the growth potential of the beer category, and in our capabilities and people to capture that growth.

The first thing I want to talk about is our new Company and how it has changed since we last brought you to China in 2015, our last investor seminar.

SLIDE 3

The SAB combination was in many ways transformational.

Today we are a much larger, more relevant, more diversified and smarter company than we were only a few years ago.

As per Euromonitor, we brew more than a quarter of the World's beer – with a far greater share of the industry's EBITDA.

Our total volume is over 600 MM hectoliters and today, more than 70% of our business comes from emerging markets, with greater growth potential.

As a result of our combination and the organic growth since, our revenues are 56.4 billion dollars and our EBITDA is an FMCG-leading 22.1 billion dollars.

Our EBITDA margin has continued to expand over this period, reaching 39.1% in 2017.

Importantly, we have become a truly global Company.

While back in 2015, five countries represented approximately 80% of our EBITDA, we need 10 countries today to reach 80% of our current EBITDA.

We have significantly diversified our country mix, providing us access to all of the most significant growth opportunities around the world as well as a natural hedge to localized macro events.

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We are proud of our unparalleled position within the FMCG space.

We are the most profitable company in this space, being #1 in absolute EBITDA, EBITDA margin and cash conversion.

In addition, we are even more proud of the fact that, contrary to general impressions, we have actually been the #1 FMCG company in **topline growth** for the past 5 years.

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We believe we have put together an unmatched company with outstanding market positions in the most attractive beer markets in the world.

Let's dive into a few of those.

The United States.

Our US business is the single most profitable one country, single category FMCG business in the world delivering close to 6 billion dollars of EBITDA.

The financial performance of the US business has exceeded the expectations we had at the time of the AB combination, both in terms of EBITDA and cash flow generation, in addition to providing us the opportunity to accelerate our business in China and combine with Grupo Modelo.

Top line performance has been below our expectations in the US.

Our portfolio in the US has required a transformation, as we had very little exposure to the profitable and growing high end segment of the market.

I am encouraged by the fact that our above premium brands now represent 20% of our portfolio, more than double where we were 10 years ago, and we have the biggest share gainer in the nation in Michelob Ultra.

I am also excited about how Michel and his team are gearing the company towards LEADING FUTURE GROWTH IN THE INDUSTRY.

Brazil remains an amazing market where we have a strong leadership position and deep understanding of the market. Brazil has a history of volatility and our team there is used to it.

Having said that, the last 3 years have been particularly challenging with a negative GDP growth on a CAGR basis.

Our team has been extremely resilient throughout this period, and has continued to invest for the future, leveraging and expanding our operational excellence.

We are particularly excited about the growth opportunities in the high end segment, a segment which we lead.

Our high end portfolio there is roughly 10% of our business and Budweiser, which is only 5 years old in Brazil, is the leading brand in the premium segment.

Our **China** business goes from strength to strength.

We have built the leading premium business in China with Budweiser, which has allowed us to capture the lion's share of profitability in the market.

But we didn't stop there.

We have launched a super-premium business that has become the clear leader in that space – which has roughly 10 times the gross margins of the core brands – on the back of an amazing Corona performance.

We are at an all-time high market share in China, of above 20%, and we exceed that in our leadership of the online channel.

We are proud of the progress we have made in **Mexico**.

For the last 3 years we have achieved double digit CAGR revenue growth, and have led to significant per capita consumption expansion.

We still see big opportunities in Premium and in Easy Drinking, and right now we are seeing growth in all of our regions and all of our brands.

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Australia is a proof point that it is in fact possible to grow in a mature market using the learnings from the Category Expansion Framework.

Our team in Australia made a bold bet to shift resources to growth opportunities represented by contemporary brands like Great Northern and Pure Blonde.

We have been growing share, volume and revenue in Australia for the past two years, and interestingly our Australia team has led the way with NABLAB, with low alcohol beers representing more than 20% of the portfolio at a higher margin than core lagers.

The UK is a market that used to attract a lot of attention in the old InBev days.

This has gone almost unnoticed, but over the past 3 years we have led growth within the beer category in the UK, and for the last 18 months we delivered double-digit revenue growth.

In the UK we lead the premium space with all three of our global brands doing very well. We have also added an amazing craft brand in Camden Town.

Argentina is another proof-point of how the Category Expansion Framework can be applied.

Our #1 brand Quilmes had been struggling there for the past few years.

Using the Category Expansion framework, our team in Argentina relaunched Quilmes, further differentiating it from Brahma and clearly positioning it as a classic core lager.

The results have been strong.

Both Quilmes and Brahma are growing YTD, and our premium portfolio, led by Stella Artois and Patagonia, has accelerated.

We are also very excited to have the Budweiser brand back in the family as of May this year.

Our team in **Colombia** was very happy to welcome our Global brands as they never had strong brands to play in the high end segment before.

Our global brands are growing triple digits, led by Corona, and we now have the #1 and #2 brand in the high end with Corona and Budweiser.

I've chosen not to go into detail on other growth engines of ours, such as South Africa and Nigeria, because you will hear a lot about them tomorrow.

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We just spoke about 8 specific markets, but the strength of our footprint comes to life when we look at the totality of it.

We are very well positioned in most of the major global markets that are poised for growth over the next 10 years, particularly when we include JVs and Associates.

Additionally, we have a massive opportunity with premiumization, as depicted on the right side of the screen.

In this table, you can see our global brands and their share of total market

– outside of their home markets

– and it is clear that there is significant headroom for growth ahead of us.

This growth will continue to be supported by the High End Company which has significantly expanded our capabilities to execute in the market.

This opportunity is even more significant given the margin accretive nature of this segment.

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I could not have brought you to South Africa, where SAB was founded back in 1895, without discussing the integration of our companies.

Two years ago we challenged ourselves to deliver on the promise of the SAB combination.

This was in many ways the most challenging combination we have ever tackled, given the broad geographic dispersion of the SAB business.

Different from other combinations, the geographic footprint in this instance was almost exclusively complimentary, which was always one of the main drivers for the strategic rationale of the deal.

I am happy to report that two years into this combination we are ahead of plan.

We have retained top talent from SAB which was one of our key priorities as we integrated the businesses.

We have identified and delivered on substantial cost synergies to date of approximately 2.5 billion dollars.

We have also progressed on our working capital agenda as shown on the screen, despite the fact that the SAB business was dilutive in this aspect.

We have also delivered top line synergies by expanding global brands to new markets.

But what is more important than all of that, is that we have become a much stronger company because of the intellectual synergies captured in this integration.

This is the first time we have ever used this 'intellectual synergy' term, given the breadth of knowledge our new colleagues brought around growing the beer category.

We were able to learn, adopt and roll out these best practices across our expanded geographic footprint.

We are a stronger company today than each of us were separately, all fully embracing the Dream / People / Culture Platform.

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We feel that we have progressed far enough in the integration that we are ready to move on to our next phase of growth.

For that, we are reorganizing and simplifying our Company by having fewer management Zones and bringing marketing and ZX under a common lead.

We have also created two new roles on my leadership team focused on capturing growth in two areas where we see specific opportunities: owned retail and non-alcohol.

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There is no greater piece of evidence of the fact that we are a truly global company than our recent performance during the FIFA™ World Cup.

Our teams literally LIT UP THE WORLD CUP.

This was a great opportunity for us to showcase some of the new capabilities that you will observe over the next couple of days.

These capabilities allowed Budweiser to become the #1 most talked about brand globally during this event, that is the pinnacle of the #1 passion point of our consumers around the world – football.

This was not just accretive for brand awareness and penetration, but also for sales, as Budweiser revenue grew by more than 10% in the second quarter outside of the US.

Additionally, our enhanced global scale was leveraged during our biggest ever activation, which we executed in more than 50 countries.

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This brings us to the next topic of our agenda, which is why we are here today, the continent of - Africa.

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We believe we will benefit from growth in the African continent for decades to come.

This was an important factor in our business combination given the exceptional growth potential within the continent.

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Africa has a population of over 1 billion people, with the fastest population growth expected among all other regions over the next several decades.

The legal drinking age population will grow by almost 30% over the next 10 years.

GDP is growing fast and so is urbanization, providing a unique opportunity for growth.

So welcome to Africa. Tomorrow we will dedicate a full day to Africa in order to expose our talent and business potential here.

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However, let's be clear – we don't think growth will ONLY come from Africa.

Let me say a few words about the potential of the global beer category.

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The beer category has grown over the past 10 years - both in terms of volume and value - as you can see on the chart on the left-hand side of the page.

We see an obvious opportunity for volume growth within the beer category in emerging markets.

The table in the middle depicts the difference in per capita consumption in mature versus emerging markets with a significant potential gap to be closed.

This potential is backed up by the growth we have seen in emerging markets over the last several years.

Additionally, the beer category has a significant opportunity for premiumization as depicted by the chart on the right hand side of the page.

Compared to wine and spirits, beer is in its infant stages of premiumization – this could provide the beer category the opportunity to continue to increase sales value and also margin by enhancing mix.

In other words, we feel very good about the category we are in, and its runway for growth.

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Over the past couple of years we have become more precise in quantifying the potential of beer, understanding it and developing tools to make it happen.

We have three interlocking frameworks that will be explained in detail after my presentation by Anne Stephens, our Global VP of segmentation, category and portfolio strategy.

The first framework is the market maturity model that explains how occasions evolve as markets mature and the role of beer within those occasions.

The second framework is the category expansion framework, which you have heard us mention before in our quarterly results calls.

The category expansion framework guides us in how to shape our brand portfolio to take advantage of those occasions and how they develop.

Finally, Growth Champions. This is where it all comes together.

This is how we take thoughtful frameworks and translate them into disciplined action plans and execution by codifying and sharing best practices.

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In this next chapter let me get a little more specific about the growth potential in beer.

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The market maturity model has allowed us to group our markets into three clusters based on their maturity level.

We now have clarity that the growth opportunity for beer differs across those clusters.

In Cluster 1, per capita consumption is low.

On average, our Cluster 1 markets have a fraction of the per capita consumption versus more mature markets.

Here, our objective is to drive beer penetration, and to do so we need to make beer more affordable and available.

Our cluster 2 markets are in transition, and frequency is our main priority.

Please note on the chart how past 7 day beer consumption varies from 0.9 to 1.9 across our Cluster 2 markets compared to 2.3 in our Cluster 3 markets.

The toolkits we will apply here aim to expand new occasions, such as through in-home consumption, and to drive more co-ed occasions through easy drinking lagers, for example.

Cluster 3 and to some degree cluster 2 markets have a significant opportunity with premiumization. In many of our markets the premium segment is under-developed as compared to other categories, and we under-index in share.

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On this chart we will provide more granularity on how we will drive growth in one of our clusters, cluster 1.

Our research has shown a significant dispersion in per capita consumption across the cluster as a function of three key drivers:

First, Affordability as measured by Working Minutes to Buy a Beer, in this example ranging from 23 minutes to 290 minutes to buy a 500 ml beer.

We believe 30 minutes is the threshold above which beer could be considered “expensive” by consumers.

Second, POC density as measured by Population per POC – in many markets consumers have to travel in order to buy a beer, and third:

Beer distribution as compared to the universe of POCs that sell any kind of beverage, for example – many POCs sell soft drinks but not beer.

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– The opportunities within the clusters that I just described are based on clear best practices and known gaps that can be transferred within businesses.

On top of those opportunities we have other consumer segments or occasions where beer has traditionally underperformed, segments such as women and aging consumers, and occasions such as meals.

While we don’t have all the answers yet, we have collected deep insights and are beginning to design and deploy a set of winning toolkits that will make an impact here.

For women, Corona, flavored beers and small packs are proven winners.

Another interesting insight is that in cluster 1 and 2 markets, women don’t stay long or even go to bars at all because of the simple fact that these places don’t have a bathroom.

Therefore, by working with our retail partners to add a bathroom, we can make the on-premise occasion more inviting to women.

This is actually an initiative we undertake in many of our markets.

For aging consumers, for whom health and wellness is a high priority, low alcohol beers like Great Northern in Australia strike a chord, as do beers that promote an active lifestyle such as Michelob Ultra.

For the meal occasion, in which we believe beer has a much larger role to play than it does today, our Stella Artois brand positioning and our portfolio of specialty brands pair well with food.

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As an organization we are evolving in terms of capabilities to fully capture all of the opportunities I described thus far.

In particular we have 7 focus areas of capabilities that we would like to share with you over the coming three days.

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The first area is the portfolio management frameworks that Anne Stephens is going to describe in a few minutes in more detail, as well as case studies depicted on the slide that you will see either in presentations or best practice sessions.

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The second area is key given the size of the premiumization opportunity, and revolves around the capability to build premium brands.

Later today, Miguel Patricio, our CMO, will talk in more detail about our global brands, and you will experience more examples of premium brand building throughout the week.

The third capability area pertains to consumer connections.

In a world of increased media fragmentation and clutter, we are leveraging creativity to generate relevant, differentiated and unique content for our consumers, which we increasingly produce ourselves in in-house content factories like LA FABRICA.

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The fourth capability area is about leveraging technology to better serve our customers like the Connected POC and the Contact Strategy 2.0 examples, to be presented later today by David Almeida, our Chief Sales Officer.

The fifth capability area relates to the use of technology to better connect directly with our consumers. Our team in China is a recognized leader in ecommerce – both within our company and within China - and we are leveraging their learnings globally to capitalize on this growing channel.

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The sixth capability area is about adopting an insurgent mindset and embracing disruption as part of our business, as exemplified by ZX Ventures and our Global Solutions Team.

Finally, the 7th capability area is one that is very dear to us as brewers, which centers around our relentless commitment to quality, and how we will continue to ensure our beers will always be the gold standard for our consumers.

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In conclusion, let me touch briefly on the agenda for the coming three days.

I hope it will excite you as much as it excites us about the future of our company.

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Today our agenda centers primarily around our global commercial strategy.

You will hear from our leaders on how we are positioning ourselves as an even more consumer-centric organization to drive accelerated growth.

Later, we will hear from our Chief Strategy and External Affairs Officer David Kamenetzky as well as our Chief Procurement and Sustainability Officer Tony Milikin about how our better world agenda plays a critical role in the hearts and minds of our people and our consumers.

And before our happy hour in one of our Corona Spiritual Homes, we will hear from our Chief Brewmaster Pete Kraemer about our brewing heritage and principles.

Tomorrow will be a day dedicated to Africa, hosted by our African leadership team. It will include not only presentations here in our Africa Zone Headquarters, but also a market visit as well as a State Dinner with local authorities.

On Day 3, we will wrap up with an overview from Felipe on finance and solutions as well as an update from Pedro Earp on ZX ventures.

You will have a chance to meet many of our talented people from around the world in the best practices booths where we will share some of the capabilities we are scaling up around the world.

Finally, I will come back on Thursday to talk about Dream, People, Culture which is the cornerstone of our company.

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In summary, I have to say that I am very excited about what the future holds for our company.

We have a strong foundation in Dream / People / Culture.

We have an unparalleled, growth-oriented footprint.

We have built over the last couple of years what I would call a top line flywheel, including solid frameworks, best practice sharing and disciplined execution.

All of this is being delivered, as always, by a very efficient operating model at scale.

Thank you, and I hope you enjoy your time with us. I will now be happy to take questions for a few minutes before we call the next presenter.