

**AB INBEV'S INVESTOR SEMINAR 2018**

**JOHANNESBURG, SOUTH AFRICA**

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**CHIEF DISRUPTIVE GROWTH OFFICER – PEDRO EARP**

**SLIDE 2**

Good Morning. I'm Pedro Earp. I'm here to talk about ZX Ventures and how we are brewing up the future for consumers and ABI.

**SLIDE 3**

Let me start with the mindset.

Usually companies think about opportunities within what they believe is their total addressable market.

If we consider beer as our total addressable market, our opportunities are very large.

For context, last year, AB InBev revenues were US\$56bn, so our core business still has a lot of room for growth in beer, given that the global addressable market in beer is US\$273bn.

- But at ZX, we use a disruptive mindset to identify opportunities for growth. Instead of sizing the opportunity as the total addressable market, we define opportunity as the total addressable needs of our consumer.
- In our case, we see ourselves as being in the “togetherness” industry, in the business of bringing people together.
- The togetherness industry in alcoholic beverages alone is a US\$1.2 trillion opportunity
- This concept of expanding the industry is not a new one.

However, companies often fail to execute outside of their addressable market due to a lack of focus and capability, short term orientation in their resource prioritization, and they lack the entrepreneurial skills to innovate

These are the problems of a traditional incumbent companies that ZX was created to address.

#### **SLIDE 4**

Our division was created in 2015 with the mandate to accelerate innovation by addressing emerging consumer needs with new and disruptive products and businesses.

Today ZX already represents more than 10% of AB InBev's total growth and our dream is to be the #1 engine of growth within ABI by 2020.

We have now a global presence, having built solid partnerships with more than 20 entrepreneurs in 30 different countries, and with over 35 investments in disruptive categories through our venture capital fund.

#### **SLIDE 5**

And we have strong reasons to believe that our approach is working. From 2015 to 2017 we have grown net revenues almost 50% CAGR organically.

Many of our bets are delivering the exponential growth we expect in disruptive innovation growing top line between 3-6x in 3 years.

#### **SLIDE 6**

We believe disruptive growth can be created through the disciplined implementation of new processes and ways of working, and we've developed methods to support our efforts.

There are four main areas where we had to evolve our thinking

- First, to be disruptive we need to have independent resources (financial and human) and independent decision making to ensure we have the ability to disrupt ourselves before anybody else does.
- Secondly we need to implement an organizational structure and methods that allows us to be agile and move at the speed of a start-up.
- Thirdly we have to better align interests and compensation of new businesses to their success. We bring compensation closer to impact that our partners are creating in the business
- Lastly, we developed an open innovation system where we partner with start-ups to create the future by providing them with a platform to rapidly accelerate their businesses and expand internationally.

#### **SLIDE 7**

The ZX Organization is divided into 5 different business units, and each one of them plays a role in delivering the dream of being the #1 engine of growth within AB InBev.

Let's understand a little bit more some of them.

#### **SLIDE 8**

## **SLIDE 9**

Let's start with Ecommerce: Clearly retail is shifting from bricks and mortar to online marketplaces. This shift will continue to accelerate, growing globally from 9% to 16% of total retail sales by 2020.

The bulk of growth in retail in incoming years will come from on-line. Despite beer sales on-line today representing less than 1% of total market, Beer will follow this trend with sales increasingly moving online. We can see this already occurring in developed markets.

For example, UK and France – Beer eCommerce already represent 3% and 5% respectively and the segment is growing much faster than the off-trade channel, showing 41% growth in France (versus +4% off trade) and 34% in UK (versus -0.6% on the off trade channel)

## **SLIDE 10**

Our ecommerce strategy is based on our deep shopper understanding.

46% of our off trade volume globally is based on Deal drive stock up, routine refill and today's need states. These missions are better served by on-line retailers since beer is one more item of a wide basket.

To address this shopper mission for the past 3 years we have partnered with more than 70 retailers such as Walmart, Ocado, Tesco and Alibaba. Also, 30% of our volume sits on the "social beer run" and "for me for now occasion". In these occasions consumers are looking for cold beer delivered in less than 1 hour.

For these occasions we have developed new owned platforms in Brazil, Argentina and Mexico but also develop partnerships with Uber eats, Prime Now and Rappi in other markets.

Lastly, 24% of our volume is based on the "Planned Gathering" and "Browse and Explore" shopper needs. In these needs, consumers are looking for something premium and special and are willing to discover new beers.

For these shopper missions we have acquired Beer Hawk and Saveur Biere in Europe, launch Emporio da cerveja in Brazil, Beerhouse in Mexico and Craft Society in Argentina.

## **SLIDE 11**

Today ZX is at the forefront of the ecommerce.

We lead in E-retail, through operations in 12 countries and partnerships with leading global players, including Amazon and Alibaba.

We also developed our own platforms, partnering with 3 leading eCommerce businesses, and internally developed a portfolio of 13 direct to consumer businesses in 17 countries.

## **SLIDE 12**

We've expanded our eRetail operations to 12 countries and 70+ online retailers worldwide while consistently and profitably growing market share.

E-retailers showed to be an amazing platform not just to make sure consumers have beers on their on-line baskets but also to sample new products, activate special dates, sell branded merchandise and develop exclusive on-line SKUs.

Since 2015 we have grown revenues by 68% CAGR and grew market share by almost 10 percentage points, out-performing in-store share by over 6.7 percentage points overall and having greater than ABI fair share in 7 out of 12 of the markets that we operate.

In the past, emerging retail channels have negatively impacted AB InBev. Today, as e-retailers grow ahead of total market we are positioned to use them as a source of strength, and actually gain market share as ecommerce grows.

Today, as our on-line focus is in premium products we have been able to do that with margins that are superior to the brick and mortar stores in same regions.

## **SLIDE 13**

Moving to the second pillar of our ecommerce strategy: Owned Platforms. We've developed a worldwide leading portfolio of direct to consumer businesses.

We have the leading craft and specialty stores in Europe and LATAM, helping to inspire individual discoveries for consumers.

- In Europe, Beerhawk, Saveur Biere, and Master of Malt are leading the way, outpacing the second largest competitors in traffic by 10x.
- In LATAM we are #1 on-line beer stores in Brazil, Argentina and Mexico. We currently reach 1 million unique customers monthly on our platforms

#### **SLIDE 14**

Our ecommerce platforms allow us to have a direct relationship with our consumers.

Our dream is to have direct relationships with over 100 million consumers.

Having a direct relationship with consumers will allow us to improve our marketing efficiency by directly targeting consumers with the right product at the right time and price, generating a better consumer experience but also generating valuable data and insights into our consumers' needs and buying behaviors that our brands can use to develop new products and personalized offers.

#### **SLIDE 15**

#### **SLIDE 16**

Let's move into specialties.

Specialties is already a sizeable segment with high growth in develop markets but it is still very underdeveloped in emerging markets such as China where it represents only 1%, or Argentina with 1.4% and Brazil with 3.6%.

Despite still being a small portion of the industry, specialties are growing aggressively in these markets. It is growing 29% in China, 130% in Argentina and 35% in Brazil which presents a big opportunity for us.

#### **SLIDE 17**

In the past 3 years, we have made 17 partnerships with the most innovative and passionate brewers around the world; reaching 30 countries and becoming the craft leader in 5 out of 9 key markets.

This strong performance has rewarded us with 6.9pp of growth in Market Share (Off Trade) and a Net Revenue CAGR of 48.5%, bringing us on a solid track to reach our dream of ABI fair share by 2020.

Today, our specialties business is growing ahead of the specialties segments in all countries where we operate.

### **SLIDE 18**

Not only have we been recognized and rewarded by our consumers in the market, but we are also today the most awarded craft brewer in the world.

In the seven most recognized blind tasting competitions promoted by the most prestigious craft organizations in the world we have gained most medals than any other organization in the world. In 2017 we have earned 191 medals.

In 2018 so far AB InBev has already won a total of 185 medals being 13 medals at the World Beer Cup. More than any other brewer. This is evidence that quality of our beers and building the best portfolio in the world remains our top priorities.

Today, the diversity of our portfolio allows us to meet all different consumer needs by delivering amazing beers in any country across all beer styles.

### **SLIDE 19**

Our strategy in specialties is to bring together the best of the craft world with the best of a large brewers' world.

We have a collection of businesses led by the founding partners that provide consumers with authenticity, variety and local heritage they are looking for. At the same time these beers are more available, with better quality and consistency and more accessible than ever.

### **SLIDE 20**

Our success in specialties lies in our partnership model with the best brewers in the world.

Firstly, we look for founders that share big dreams and a passion for beer, with a willingness to partner for the long-run.

Secondly, we look at the quality and ability of our partners to create truly amazing beers and lastly, we ensure we can leverage the ABI competitive advantages to scale these beers not only locally but in some cases nationally or internationally.

Our goal is to create the best beer portfolio in the world with the best partners, building an amazing, complementary and winning portfolio.

## **SLIDE 21**

Since Zx Ventures inception, we have been responsible for accelerating the net revenue growth of several key brands.

For example, Hoegaarden has grown at a pace of 3.5 times higher than before ZX ownership, Patagonia 2.5 times, Colorado 10.2 times, and Birra Del Borgo 6.8 times.

We are extremely proud of these results so far and are excited about the future to come.

## **SLIDE 22**

In 2015, we established Explore to be ahead of the curve in terms of innovation and to build future engines of top line growth, while delivering financial returns.

To improve the odds of creating US\$1bn businesses, we manage these business with a venture capital mindset by building a portfolio of small bets and doubling down on the ones that work.

## **SLIDE 23**

Our strategy is based on three pillars:

- First, “Improve the Core” focuses on solving the biggest problems for ABI with new technology.
  - One example is Foxtrot, a route execution platform that increases truck fleet efficiency by helping drivers avoid real time disruptions like traffic and closing hours.
- Second, “Address Disruption” expands our perspective to adjacent categories such as near-beer, wine, spirits and other beverages that play in the beer occasion.
  - For example, tea-based beers with Owl’s Brew and hard kombucha with Kombrewcha.
- Third, “Create New Business” is where we create new businesses by leveraging our core assets and resources.
  - For example, Canvas, is a new nutritional beverage rich in protein and fiber that utilizes our spent grain, a by-product of the beer production process.

## **SLIDE 24**

Our fund is diversified across three stages and a range of investment size. The Seed portfolio consists of early-stage companies from inside ZX and out.

This is the third year of our Zxelerator program which is a funnel of innovation across our entire company, as groups come together each summer to launch start-ups.

This year we accepted 12 ventures. The ventures that receive funding from this group enter our seed portfolio.

The Launch portfolio consists of internal and external ventures that have a proven business model, some of which graduated from the seed stage, others of which are new investments.

Finally, Grow represents our investments that have proven traction on a standalone basis and we can accelerate with our resources to scale at a faster rate. We have different levels of integration and also different ways of managing these businesses depending on its life stage.

## **SLIDE 25**

- Today we are one of the most active Food and Beverage CVCs with more than 35 investments in the last 3 years.

- Our projected returns would put us in the top quartile in performance of all VCs (institutional and corporate) and we are on track to continue that trajectory into the future.

## **SLIDE 26**

- As Abraham Lincoln once said, “The best way to predict the future is to create it”, and my team and I are really partnering up with the most amazing entrepreneurs in the world to create a very bright future for our consumers and for AB InBev.

THANK YOU!