

**AB INBEV'S INVESTOR SEMINAR 2018**  
**JOHANNESBURG, SOUTH AFRICA**  
**WEDNESDAY, 8 AUGUST 2018**  
**BU PRESIDENT AFRICA EAST – ROBERTO JARRIN**

**SLIDE 2**

Good morning everyone.  
Welcome to the East Africa Business Unit!

My name is Roberto Jarrin. I am the Business Unit President – East Africa.

I am glad to be here with you today to share some of the great things we are doing in our region. But, before we start, let me share a little bit about myself.  
I am Ecuadorian, raised in Ecuador, by Ecuadorian parents. But, by coincidence, I happened to be born in Brazil due to my father's work.

I have been in East Africa for 4 years, based in Dar es Salaam, and with the Company for 11 years.

Before moving to Tanzania, I managed Birra Peroni in Italy for 2.5 years, and prior to that, I managed our business in Ecuador.

In my life before AB InBev, I worked for 16 years in Marketing on assignments across Latin America; working for Procter and Gamble and then PepsiCo. Tanzania is my tenth country assignment.

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What I want to share with you today is our growth strategy, and why we are excited about our business in the region.

I hope, that, after this presentation, you will be as optimistic about the growth prospects, as I am. But first, let's start with... what is the East Africa Business for AB InBev?

As Ricardo already mentioned, this BU represents 14% of the total zone volume. Our main focus is Tanzania and Uganda, our largest operations.

The combined population of both countries is close to 100m and here we are market share leaders.

Both countries belong to the L1 cluster, with beer per capita consumption as low as 8 liters per year, as opposed to South Africa, for example, that has over 50 liters per capita.

To illustrate this point, this means that about 15% of the population in Tanzania drink beer and the average consumption is two 500 ml bottles per week. In addition to these

countries, we also have an export business, to South Sudan, and Kenya. We currently do not operate any manufacturing facilities in these countries.

#### **SLIDE 4**

The opportunity to develop the beer category in our region is massive. As mentioned, the per capita consumption of beer, is low.

Most of the alcohol consumed in the market is informal alcohol and primarily low-priced home brews. This provides an opportunity to develop the category by sourcing from informal home brew as incomes grow over time; provided, of course, that we have an appropriate pack, and we have built a relevant brand, to which consumers can trade up.

#### **SLIDE 5**

The reason why beer consumption is low in our markets, is that the relative cost of beer is high.

The key to source from the informal market and grow per capita consumption, is to improve the affordability of beer. Currently, beer relative to what a consumer earns, is expensive the average consumer has to work about 4.5 hours to pay for one 500 ml bottle of beer.

That is, a half a day pay, for just one beer!

As relative affordability improves, and purchasing a beer requires a smaller percentage of a consumer's daily income, we expect more consumers to come into the category, thus increasing beer per capita consumption.

So..., given this context of our L1 markets; what is our mission, and what is our strategy for growth?

#### **SLIDE 6**

Our mission in East Africa, is to make beer more accessible, by making it more affordable over time and more available; so that as incomes improve; we continuously source from informal alcohol.

In both Tanzania and Uganda we are expected to grow above the average of the zone.

Our strategy is focused on four elements: First and foremost, protect and grow our core brands.

Secondly, grow the affordable segment by sourcing from informal home brew.

Thirdly, increase availability, in both urban and rural areas, by step changing our Route To Consumer capabilities, and last but not least... invest for the future, by driving Premiumization in the fast growing more affluent urban hubs.

### **SLIDE 7**

Core brands are the majority of our business today. Our first priority is all about protecting and growing them.

To grow our core brands, we need to continue the path of reducing the minutes worked to buy a beer.

This is achieved via price moderation; allowing incomes to grow faster than price, and also, by the introduction of smaller packs, at key price points to achieve absolute affordability.

### **SLIDE 8**

To illustrate further the importance of affordability, let's take a look at the Tanzanian market.

If we divide the population by level of income, we will find that 95% of the population has an income equivalent to about 2 USD/day or less, and within that, 37% earn less than 1 USD/day.

For these consumers, beer is totally out of reach.

For those in the 2 USD/day bracket, having a bottle size, and a brand, which they can afford, based on their daily disposable income, is the barrier to the category.

For this group, our core brands require about 3 hours of work to pay for a bottle of beer.

We can improve affordability over time, if we ensure that we are not pricing ahead of inflation.

In addition, the introduction of a small bottle, priced at 1,500 Tsh. or 65 US cents, provides absolute affordability versus their daily income.

To grow the core, affordability and small packs are not everything. It is also fundamental to build a portfolio of strong brands for the future.

These brands need to be differentiated among each other, not only in the liquid, but also in personality and tone to be relevant.

Therefore, as per the category expansion framework, these brands need to cover both the Classic and the Easy drinking spaces.

### **SLIDE 9**

Our Classic lager brands target the traditional male sharing with friends occasion.

In Tanzania, our classic beer brand is Safari Lager, which is also the first branded beer in the country. Safari in Swahili, means journey.

Safari Lager celebrates with optimism, the daily achievements of Tanzanian men, as they go through their life's journey. A message captured in its campaign is "Maisha ni Safari" or "Life is a journey" and it is worth celebrating!

### **SLIDE 10**

In Uganda, our Classic lager is Nile Special Lager, brewed from the waters at the source of the River Nile. Nile Special, celebrates and inspires Ugandan pride.

Proudly donning the colors of Uganda, this strong pride in culture positioning has been core to its growth, making it Uganda's greatest beer.

### **SLIDE 11**

On the other end of the spectrum, our easy drinking core brands target the fast growing younger, mixed gender population.

We heard from both Ricardo and Andrea that Africa is a young continent. According to World Bank reports, Uganda and Tanzania have the fastest population growth rates for any of the countries in which we operate.

The role of our easy drinking brands is to recruit and retain these younger legal drinking age consumers.

### **SLIDE 12**

In Tanzania, our core easy drinking brand, is Kilimanjaro Premium Lager, my favorite brand. The Kilimanjaro brand enhances the flow of young LDA Tanzanians when they come together, creating memorable experiences.

This brand is anchored around young, mixed gender socializing occasions, music, entertainment and fun.

### **SLIDE 13**

In Uganda, our easy drinking brand, Club Pilsener, is a bit more up tempo and vibrant.

The brand encourages young LDA Ugandans to come together, refresh and turn up their beat, playing on the culture's love of music.

The brand has rapidly grown from a challenger, to market leader, becoming the biggest core beer in Uganda.

#### **SLIDE 14**

Our second strategic play is to grow the affordable segment by sourcing from home brew.

I have already talked about informal alcohol being close to 90% of the alcohol market in Tanzania and Uganda, and being a huge value pool to source from.

To tackle this opportunity, Uganda was the first country to negotiate a win-win agreement with the Government; to create a lower excise bracket for products produced with locally sourced inputs for making beer.

This allowed for lower consumer prices as we passed the savings on to the consumer. Overall a huge success.

A huge win for the consumer, who now has a safer, more enjoyable option; for the farmers that benefit from a guaranteed market for their products, and the Government which benefits from the additional tax revenue.

#### **SLIDE 15**

The success of the Uganda case study with the launch of the Eagle brand, which started in 2002 and has continued to strengthen over the years, has been communicated in many prior investor meetings.

What I would like to briefly touch on today, is the reapplication of the Uganda case to other African countries, and potentially other regions beyond Africa

One of the key success elements of the Uganda case study is that the Eagle brand was launched as a way to source from informal alcohol.

Therefore, the focus of the Eagle launch was primarily on the very low beer per capita consumption areas, typically in deep rural regions.

This drove the incrementality of the initiative.

#### **SLIDE 16**

This same approach, of developing a local cereal product, under an emotive Brand, that generates a strong sense of pride derived from being home grown, that commands a lower negotiated excise tax, and therefore is offered to consumers at a lower price, targeting primarily low per capita consumption areas, was taken in Tanzania, and Mozambique.

### **SLIDE 17**

In Tanzania for example, in rural areas where the average consumer daily income is the lowest, affordable brands already represent 34% of the volume mix and continue to grow at a very accelerated pace.

### **SLIDE 18**

The results show that the reapplication of the Uganda case to other African countries has been extremely successful and these brands will continue to be a source of incremental volume sourcing from informal alcohol.

### **SLIDE 19**

The Uganda Case is clearly a replicable model.

There are other L1 countries around the world, and also many L2 markets, where within a country, pockets of lower per capita consumption exist. These could potentially reapply the Uganda Case. Countries like Bolivia, Colombia, Paraguay, and Brazil.

Hopefully soon, we will be able to replicate there some of the success we have seen in our African markets.

### **SLIDE 20**

Our third strategic pillar, is to increase availability by step changing our Route To Consumer capabilities.

We want to be able to reach more outlets both in urban and in rural areas, in a way that is efficient and that improves our ability to execute the POC.

### **SLIDE 21**

To achieve this, we had to change from the legacy Route To Consumer model, that was very informal and dependent on a long chain of stockists who sell business to business, resulting in no line of sight of the POCs, and thus low ability to execute, to a model where our distributors call directly on the majority of POCs in a structured way.

The stockists still exist, but in a limited way to service small outlets that are not efficient to call on directly or for emergency orders.

To achieve this, the first step is to know how many outlets there are and where they are.

Then we need to have the ability to take an order and invoice, have visibility of all stock movements, and also be able to see if the order has been fulfilled.

## **SLIDE 22**

For this purpose, we implemented a Distributor Management System or DMS in all our distributors.

DMS is a big thing for us, both from a category development point of view and from a revenue management perspective, as it gives us a much better capacity to manage the discounts we give to the distributors.

We have now implemented DMS in Tanzania and Uganda.

The implementation in Mozambique, Ghana, Zambia, and Nigeria will be completed by the end of the year.

## **SLIDE 23**

In urban areas where per capita consumption is higher, and the consumer has many available options to choose from, superb execution makes the difference between making a sale or not.

In this case, assuring the right price, right assortment and merchandising, cold availability, and correct promotion execution becomes critical.

## **SLIDE 24**

In these areas, we have gone one additional step further.

We have divided the cities into sectors and deployed our Local sales reps pinned to each distributor.

It is this local sales rep that visits the POC directly in optimized routes, performs the execution, and takes the order and then transfers the order to the distributor's DMS system for it to be delivered the following day.

Of course, this is done with full visibility of all the processes and with KPIs in place to track for both effectiveness and efficiency.

As Ricardo also mentioned, together with DMS, we have been implementing Salesforce.com applications to standardize the way our sales force contacts the POCs and places their orders – being it on a personal visit or on a phone call.

## **SLIDE 25**

DMS, structured order taking and delivery routes, local area sales reps, salesforce.com, and managed distributors have given us increased capability to make our products more available and improve the execution of our brands.

## **SLIDE 26**

Our 4th and final strategic pillar is to premiumize the growing urban areas.

Even in L1 countries, where the category is still in early stages, we see Premium as a great opportunity. In these countries, the Premium market is still incipient.

However, given our distribution and the execution capabilities that I just talked about, we aim to develop the segment and achieve our fair share. This will help us to keep moving our average prices up without necessarily touching on our accessible price points.

## **SLIDE 27**

Over the past 18 months we have applied the Market Maturity Model and our Category Expansion Framework and focused on two things: making beer more accessible by having it available at a price consumers can afford, and leveraging local consumer understanding to develop brands that capture consumer's preferences.

## **SLIDE 28**

As a result of all this work, our business since the combination has significantly accelerated volume growth. This has all of us excited about the potential for growth in this region.

And I hope that after this presentation you are as well.

## **SLIDE 29**

This is what I wanted to share with you today, Asante sana, Thank you.