

AB INBEV'S INVESTOR SEMINAR 2018

JOHANNESBURG, SOUTH AFRICA

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BU PRESIDENT AFRICA SOUTHERN – PEDRO CRUZ

SLIDE 1

Good morning everyone.

Today I'd like to tell you about Business Unit Southern Africa.

My name is Pedro Cruz, and I lead this BU.

I am Portuguese, from Lisbon, and joined our company 11 years ago as the Commercial Director for Mozambique.

I became Managing Director for the country in 2013, and transitioned to my current position after the combination in October 2016.

Earlier in my career I was with PepsiCo in Portugal, Spain and the UK, where I performed a number of senior roles in Finance, Sales and Marketing.

My favorite beer is 2M – which I will talk to you about today.

I'm most proud of growing Mozambique's volume 2.4 times over the last 10 years. This equals a compound annual growth rate of 9.1%, well ahead of country's GDP growth.

SLIDE 2

Let me introduce to you BU Southern Africa.

As Ricardo mentioned, it is a diverse group of 4 countries – Mozambique, Zambia, Botswana and Namibia. Mozambique and Zambia are L1 countries, where the beer market is in a low stage of maturity and we hold a high market share.

Together, these countries are home to 46 million people, and offer massive growth potential by making beer more accessible. Botswana and Namibia are smaller countries, with low population density. Each one of them have slightly over 2 million people.

Botswana is an L2 country, where the beer market is in a middle stage of maturity, and we hold a high market share. Namibia is a C2 market and we are challengers there.

Our growth model has delivered some great results for the BU in the first half of 2018.

All countries are growing volume, with Mozambique and Zambia growing above 20%.

As you see, our two biggest countries are in cluster 1, similarly to what happens in BU East Africa.

So, I will be sharing with you our affordability plans, which have some commonalities with Eagle in Tanzania and Uganda, as you heard from Roberto.

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Combining the best of SAB and AB InBev does unlock value. I can't find a better illustration of that, than the BU EBITDA growth algorithm in 2017.

Last year EBITDA grew by 25%. Beer net revenue growth was healthy, but mostly offset by a decline in other revenue. This was revenue from non-beer businesses that we spun off at the end of 2017.

Procurement and overhead synergies played a decisive role in the profit growth achieved. As a result, our EBITDA margin grew by an impressive 790 basis points.

Let me come back to synergies and give you one example. The Finance Director is a shared resource between BU Southern Africa and BU South Africa.

This culture of headcount efficiency is essential to be able to pursue an affordable strategy, and our global focus on cost-connect-win, is a must in my BU.

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Now, let's focus on Mozambique. The country has a remarkable track record of economic growth.

Between 2012 and 2015, GDP grew on average 7.1% year on year. This was among the highest in Africa. After a slow down in 2016 and 2017, a gradual recovery is expected between 2018 and 2021.

In 2022 and 2023, GDP is forecasted to accelerate to an average of 7.8%, driven by the booming oil and gas sector. Population growth has remained stable at 3% year-on-year, and is expected to remain at this level.

Consumer price index showed a sudden increase in 2016 and 2017, due to currency devaluation, but it is back to single digits in 2018, and it is expected to remain at this level in the following years.

Urbanization rate shows a continuous upward trend.

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Strong GDP growth and inflation under control, create good prospects ahead for the growth of the beer market.

In parallel, the growing urbanization rate will help consumers to shift from informal to formal alcohol. As a result, beer per capita consumption is expected to grow from 10.5 liters in 2018, to 14 liters in 2023.

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Our brand portfolio is well-positioned to develop the category.

We are growing core lager with 4 well-established brands. We have 2 easy drinking lagers - 2M, the indisputable market leader, and Castle Lite, a highly successful pan-African brand, as you heard earlier from Andrea.

We also have 2 classic lagers - Laurentina Preta, a dark lager, and Manica. All our core local brands, have more than 50 years in the market. We are improving our premium mix with Budweiser and Stella Artois.

We are extending refreshment occasions with Flying Fish. Finally, we are ensuring affordability with Impala – a brand that offers 2 variants. I will talk later in more detail about the Impala and 2M brands.

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When combined with pack offerings, our brand portfolio provides a wide assortment that addresses every consumption occasion.

Core is our stronghold, and we have a fast-growing affordable offering, as well as an emerging premium portfolio. We see big opportunities in further developing affordable, and in building a strong position in premium.

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This chart illustrates how our brand and pack price ladder, stretches along a wide range of price points to capture every purchasing opportunity.

We have offerings ranging from 25 meticaïs per serving for a small bottle of Impala, to 70 meticaïs for a Stella Artois. This translates to a range between 40 cents of a dollar, and 1 dollar and 20 cents.

Our affordable portfolio reaches a price point close to a home brew, thereby making it easier for low-income consumers to trade up from informal alcohol, and access the beer category.

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Let's now focus on affordability. Despite its economic success, Mozambique is still a very poor country.

GDP per capita in 2017 was 520 dollars, 4% of world's average. Driving beer affordability is therefore essential to develop the category, since Mozambique sits at the top end of beer relative unaffordability.

Combined with a high excise tax on beer, it takes the average individual 6.5 hours of work to afford a mainstream beer.

As a result, people are pushed into harmful and tax evasive home brews, which are estimated by Euromonitor to be worth 1.7 million hectoliters.

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So, let me share with you how we are driving beer affordability in Mozambique.

Our journey started 7 years ago with the launch of Impala, following the learnings from the success of Eagle in Uganda. Impala has become a key brand in our portfolio, while contributing to a better Mozambique.

Impala was the first beer in the world made from cassava, which is grown by small holder farmers as subsistence food. However, there was no commercial market for it. So, we proposed to the government launching a beer made from local cassava as the main ingredient.

Recognizing the socio-economic potential of the project, the government granted an excise benefit, enabling us to price Impala at an index of 64 to core beers.

Despite its affordable price, it is a profitable brand with a margin that is close to the business average.

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Last but not least, it improved the lives of 8.000 small holder farmers in the supply chain, by creating a new, and sometimes the only revenue stream for them.

In summary, Impala has been one of those few transformational projects where everyone is a winner.

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Soon after we started working together, Ricardo challenged me to take affordability to a new level, creating a brand at an even lower price point.

We identified maize as another crop that is also widely available in Mozambique, without enough market to absorb production in full.

With this in mind, we developed a second variant of Impala, made with local Maize as the main ingredient. It is priced at index 55 to core beers, and has 3.5% alcohol by volume.

This was one of the first new brands in Africa of our no-and-low alcohol portfolio, as part of developing the affordable market in a responsible way. Once again, the government granted an excise benefit.

Like the cassava variant, Impala Maize is a profitable brand with a healthy margin.

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Launched in December 2017, the brand reached quick success, consistently gaining market share up to 14% in June 2018.

As the brand gained share, our total lager growth accelerated to very high levels, reaching 40% in May, showing the potential of affordable beers to expand the category, in a profitable way.

The other important point to take away, is that Impala has been an amazing force for good, by developing local agriculture, and improving livelihoods of farming communities.

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Let's move to our core brands. Our core portfolio lays upon the iconic 2M, a brand that is deeply rooted in local consumer insights.

2M has become a loved brand in Mozambique. 2M is all about being Mozambican – fun, spontaneous, welcoming, and cheerful. It is about laughing and dancing, it is about a get together that lasts for 12 hours, it is about celebrating for all reasons and no reason, it is about making the most out of life!

Its unique art, is a key element of the brand DNA. This graphic language - powerful, colorful, bright, dynamic and fun - is visible in every brand touch point and highly distinctive.

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2M has a remarkable track record of consistent growth. It has grown every year over the last 5, delivering 13% compound annual growth rate, and is the undisputable leader of the beer market.

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Innovation has also been a key driver for 2M growth, with the introduction of new packs and designs, such as the limited-edition World Cup pack. This program shows how we make a global sponsorship platform relevant locally.

We took over the biggest soccer emotion - which is when a goal is scored -, but did it in OUR WAY. And that way is to scream Eiiiiixxxx, instead of goaaaaal!

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Before moving on, let me share with you my perspective around the AB InBev operating model, as it applies to the 2M World Cup program that you have just seen.

The team that put it together is led by our BU Marketing Director. She has a double reporting line, to Andrea and to me. This way, we can bring the best of both of us – a deep functional expertise, and a deep understanding of local insights.

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Let's take a look at the premium segment now.

We have just started to build a position in premium, with the launch of Budweiser and Stella Artois in the first half of 2018. Premium is still small, making up only 4% of the beer market.

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We are bullish about the potential of our global brands in Mozambique. They have posted 6 consecutive months of growth vs prior month, since launch.

We are particularly impressed with Budweiser. Just launched in March, right before the world Cup, the brand is building quick volume momentum, and reaching great consumer acceptance.

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In addition to driving accessibility through affordability, we have also taken steps to improve the availability of our portfolio, by increasing POC coverage.

To do it in an efficient way, we transformed our sales service model by adopting Local Area Representatives (or LARs), replacing traditional sales people.

The LARs have a smaller territory, most of their compensation is variable, and they operate by foot or public transport, thereby carrying half the cost of a traditional sales person.

That enabled us to invest heavily in frontline sales headcount, to support an expansion of more than 3 times, the number of sales serviced POCs in the last 5 years.

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Additionally, we are transforming our route-to-market to further improve portfolio availability and service to retail.

We are moving from a passive third-party call and collect model, - with retailers having to call on a supply point to get stock to a proactive pre-sell and third-party delivery model.

LARs will be equipped with technology tools to drive order generation at retail. Proactive order generation will enable portfolio management, driving the right SKU in the right channel.

A distributor management system will be deployed to third party distributors, improving delivery service to retail, and enabling line of sight of volume flows.

We expect 60% of our volume to follow this model by 2021.

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To close, I'd like to share some of the results achieved by the Mozambique business in the first half of 2018.

These results show the power of our strategy to drive growth, and to expand the category, as well as to strengthen our leadership position. Beer volume grew 23%, driven primarily by strong growth of the affordable portfolio.

The affordable volume was largely incremental to the company, as both core and core plus brands also showed growth. In parallel, we gained 50 basis points of market share, in an increasingly competitive environment.

In summary, we are walking the talk by expanding the category in an L1 market, by driving beer accessibility, while elevating the core and seeding premiumization.

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We are very confident about the future of Mozambique, and about the continuous growth potential of our business there.

The ongoing application of our category expansion framework, the commitment of our teams, and the favorable country dynamics, have proven to deliver some great results.

As I said before, I'm most proud of the growth we have delivered in Mozambique.

And I'm happy to say today that this growth has led to the decision of investing in a NEW BREWERY in Maputo. This is a very recent decision that we have made, and I am very pleased to share this piece of good news with you today.

The brewery will have an initial capacity of approximately 2 million hectoliters, and it's designed to be expanded. We plan commissioning for the end of 2019.

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Thank you very much.