

AB INBEV'S INVESTOR SEMINAR 2018
JOHANNESBURG, SOUTH AFRICA
WEDNESDAY, 8 AUGUST 2018
BU PRESIDENT AFRICA WEST – ANNABELLE DEGROOT

SLIDE 2

Good morning. My name is Annabelle Degroot.

I am the BU President for West Africa looking after Nigeria and Ghana. I wanted to start today's presentation by giving you a little bit of a background about me.

I am a British citizen, born and raised in Zambia with a Belgian husband which explains my surname. I have an economics background and I am a Chartered accountant by profession.

I joined SAB in Zambia in 2008 and progressed up through the Finance world to Managing Director in 2014 looking after the beer, traditional beer and soft drink businesses.

Zambia enjoyed 48% beer sales growth in the 5 years from 2012. I was the first female MD in Africa for SAB.

Last year, I had a career conversation with Ricardo where I suggested that I had possibly been in Zambia too long and I may have naively mentioned the word bore well the rest is history.

It has been an *incredible* first year in Nigeria and I can confidently say that I am not bored.

SLIDE 3

My BU West Africa role covers two quite different markets in their size, challenges and market share positions.

Ghana is our smaller market with a population of 28 million people and an estimated Per Capita Consumption of just 7.4 litres per annum. With this PCC and more that 50% of the market share, it sits in our L1 cluster with a mission to outperform the competitor and grow the beer category.

My presentation to you today however will focus on our big bet or as Ricardo refers to it much more romantically the hidden jewel of Africa..... Nigeria!

Nigeria's population is estimated to be 196 million people with a PCC of 10.2 litres per annum.

With this relatively low PCC and the fact that we are the challengers in the market, it sits firmly in the C1 Cluster where our mission is to accelerate volume growth and to grow market share in a sustainable way.

SLIDE 4

My objective today is to give you a flavor for this colorful and intriguing country, an insight into our history in Nigeria and to make a case for being bold in the future.

We are on an exciting journey and are building the foundations for long term success.

SLIDE 5

So why are we betting on Nigeria?.....

SLIDE 6

Well, the fundamentals are very compelling and speak for themselves.

All indications show that Nigeria will be the third most populous country in the world by 2050 with a population of approximately 410 million people.

SLIDE 7

The population will be concentrated in high density urban areas

SLIDE 8

and there will be a large emerging Legal Drinking Age population.

Currently, the average age in Nigeria is 17.9 years and we estimate that the LDA population between 18 and 24 years is currently 22.7 million.

This presents us with both opportunities and challenges, now and in the future, as these potential consumers come to the market.

SLIDE 9

An important statistic that we measure is the number of minutes worked to earn a core beer.

The table on the left shows that this varies enormously in Nigeria. The majority of the population sits in the low and low mid category where an individual needs to work for between 72 to 140 minutes to earn a core beer.

Generally, we consider beer to be affordable at 30 minutes. This emphasizes the need for beer to be affordable if we want the category to grow.

However, what is different in this market compared to some of our other African markets, is that despite this, we have a huge emerging middle and upper middle class at approximately 35 million people who have to work between 19 and 44 minutes to earn a beer.

This makes both core beer and premium beer affordable and provides a significant opportunity for premiumization.

So how do we think the country will prosper with these huge current and future demands on infrastructure and employment?

SLIDE 10

Well, Nigeria is a country known for hustle, real resilience and digital entrepreneurship.

Nigerians know they are in control of their future. That determination to succeed and hustle against all odds even has a name; we call it the *Naija* spirit. You might have seen it written on the arms of the Nigerian National soccer team in Russia during the World Cup.

It's the reason why Nigerians use the pidgin English term – E GO BETA – meaning tomorrow will be great and why despite only 25% of households having reliable affordable power, Nigeria is still the continent's biggest economy.

This leads me to my second point: Nigeria can be a tough market to operate in but as you can see there are big multinational corporates who have been in the market for decades.

Taking a long-term view to building brands in this market results in real consumer loyalty and the commensurate growth and profit. And taking a long-term view, is exactly what we plan to do.

Lastly, Nigeria is using digital to really drive Entrepreneurship going straight to mobile technology. This connectedness is apparent, as at 53%, it has almost three times the internet penetration of the rest of Africa.

Most Nigerians that you meet have two phones and they are using them to leverage small and growing business across different social media platforms. This gives us great access to and insights about our consumers and is crucial to driving the conversation about our brands.

So, let's talk a little bit more about the large and growing population of LDAs and their need for this conversation and meaningful brands.

SLIDE 11

These young people are growing up in a vastly different world than their parents and they have different needs.

Combined with that is the pressure to be *authentic*, to stand out, to be different and have people sit up and notice. By sit up and notice I mean press the “LIKE” button. Nollywood, music, the fashion industry, and social influencers are driving the conversation.

Celebrities and digital influencers have huge followings on social media and can change the way a brand is seen in the blink of an eye. We see a real emerging force of purpose driven women in Nigeria who own businesses and have much more autonomy and authority than ever before. And our brands must find acceptance with this growing group of influential consumers.

I hope this has given you a flavor of this exciting market and what our future consumers will be demanding.

SLIDE 12

So, with this background, what do we think the size of the prize is?

The good news is that the market is growing. Our recent research confirms that the size of the beer market in Nigeria is forecasted to reach 20 million HL in 2018.

After a tough 2017 year on the back of the recession, the category is back in growth as we see the economy gradually recovering.

Assuming beer remains affordable, we expect PCC to grow by 15% and the beer market to increase by 10 million HL to 30 mHL by 2028.

We expect to see more relative growth in the premium and affordable segments as the category matures and the size of the category grows.

SLIDE 13

Sowhat is our objective in Nigeria?...

Ricardo spoke in his presentation about our role as a C1 market. AB InBev entered the Nigeria market with an intention to build on the great ground work laid down by SAB and to accelerate the growth.

Our strategic intent in Nigeria in the short to medium term is to build a strong and profitable business, reaching out further and wider to our consumers with a great portfolio of brands.

SLIDE 14

And we have developed a winning portfolio since our entry into the market in 2009.

Our core category houses the engines of our business, the Trophy and Hero brands where we have made strong progress and occupy 28% of the market share. The Trophy Lager brand in the West was rejuvenated by SAB over the years and in the East we created Hero Lager in 2012.

Then we have our affordable brands, Eagle Lager and Eagle Stout occupying 7% of the market share.

To build on our lager portfolio we launched Castle Lite in the Core Plus space and have the recently launched Budweiser in the premium category where we occupy just 1% of the market share.

In addition, we purchased the Grand Malt and Beta Malt no alcohol brands early on which experienced good growth in the period and occupy 6% share of the Malt market.

As a result of the successful entry into Nigeria, progress in the period from 2009 to 2017 was often limited to some extent by capacity constraints.

Despite this our total market share of the beer and stout category grew to 18% in the period through to 2017, growing more recently in the first half of 2018 to 22%.

With our new brewery coming on line this year, the room for growth in all segments is now possible and will set us on our journey to grow total market share.

Now that we have talked a bit about the exciting potential of the Nigerian market and have established the history of the business and our strategic intent, I would like to share some important milestones that we have recorded in the last year.

SLIDE 15

Firstly, we completed the One Nigeria transaction and have combined our three legal entities into International Breweries Plc, placing us in the top 10 companies by Market Value on the Nigerian Stock exchange. This has given us the ability to apply consistent best practice and systems across the country, to simplify our supply chain and to build and leverage talent nationally.

The local combination has allowed us to leverage AB InBev culture to remain lean and entrepreneurial allowing us to reinvest in our brands and market execution. Our new leadership in Nigeria is a combination of established SAB knowledge and AB InBev culture and ways of working.

And, we have accelerated the 250 million dollar Sagamu build and have brought the brewery on line in July, just last month, giving us the ability to increase our production volumes and to widen our portfolio.

One of the first decisions made by AB InBev in Africa was to give the green light for the Sagamu brewery build.

This signaled a decision to take a bold step towards building a strong business in Nigeria for the long term.

SLIDE 16

We have also made transformational changes to our Route to Market and National Distribution footprint to allow us to become a national player and to ensure we can deliver the new volume from Sagamu.

By leveraging group technology we are investing in and implementing a distributor management system to build the capacity and capability of our important partners. And we are investing heavily in improving our logistics capability including our own fleet. Logistics remains one of the toughest challenges in Nigeria.

Until recently, our footprint has been very regional and mostly centered around our brewery sites shown in orange on the slide. We now have the ability to service high density areas such as Lagos where we have been developing our footprint and are we are venturing into white spaces.

SLIDE 17

This has been supplemented with a meaningful investment on a larger sales force to effectively service twice as many POCs and a 70% growth in our cooler population to deliver cold beer to our consumers.

We have ensured a step change in our in-trade execution and trade marketing to keep absolute focus on the most important people in our business, our consumers.

With our enhanced sales force and effective in trade execution we are reaching more consumers with our great brands.

SLIDE 18

And we have established, the High End company within our business.

This is a dedicated team focused on premiumization and our Global brands such as Budweiser. Introducing this capability and global best practice into our company has provided complete focus on our key strategic pillar of premiumization for the future.

SLIDE 19

Which brings me on to our most important investments and assets, our Brands.

SLIDE 20

We believe that our Trophy Lager brand is now hitting its stride coming from humble beginnings as a regional brand in the West to a national brand.

Trophy is our honorable brand and appeals strongly to the traditions and culture of the Yoruba tribe in Nigeria. However, with an increasing national fight to tackle corruption and the wellbeing of the country, behaving honorably is becoming the buzz word.

Our National President recently asked the Super Eagles “to do the honorable thing and to bring the World Cup trophy home”. We leveraged the World Cup with Trophy with a call to action for Nigerians to believe that Nigeria can go to Russia and through their play show the world how honorable they are.

The campaign was known as Yes We Can!..... And Yes they Did! The Nation was proud of the performance of our very young squad at the tournament.

Our recent expansion into Lagos has shown a huge acceptance of Trophy and has delivered more than 20% growth in 2018.

SLIDE 21

Meanwhile Hero Lager continues to be the brand of choice for the population in the East and South and resonates strongly with the Igbo people’s determination to succeed.

As Andrea showed you earlier, in the East of Nigeria, when a Man has proved himself, he receives a red cap in a hugely symbolic ceremony that can only be performed by the King.

It is a rite of passage and is the equivalent to a knighting.

In May 2018, Our Hero brand was knighted and red capped by the Royal Highness Igwe Achebe in honor of everything the brand has achieved and stands for. This was backed by our first national TV campaign and has seen the brand health grow from strength to strength.

Every bottle of Hero beer is now capped with a symbolic red crown which has helped deliver robust volume growth this year.

SLIDE 22

And then there is Budweiser..... Well what can I say?

This has been an incredible journey and quite honestly it has been a huge honor to be involved in launching a Global brand in this way during the World Cup.

Budweiser is brewed in Nigeria for people who live life on their own terms and it is resonating strongly with our younger and female consumers.

The striking red cavalcade moving through our Lagos streets announced the King’s arrival.

SLIDE 23

We then launched with a world class Bud Hotel event and moved quite quickly to leverage the global World Cup campaign with light up parties and a fresh approach to digital and earned media.

SLIDE 24

Free Bud for Every Nigerian.com is an example of some of the bold and innovative earned media marketing campaigns around the world cup.

You can imagine the look on my Finance Director's face when we came up with this great plan!!

SLIDE 25

Despite the fact that the Super Eagles did not make it to the quarter finals we continue to leverage this campaign with our consumers that signed up and believed in the team.

We have been overwhelmed by the positive sentiment building towards Budweiser.

I get random Facebook messages about how the brand has landed. People approach us on planes, in bars and by e-mail to discuss it.

We have been asked to show case it at the closing bell of the Stock Exchange and just a few weeks ago my landlord took me aside to ask me if I was behind Budweiser's bold arrival in Lagos.

With our new brewery on stream now, our ability to build a strong premium portfolio with superior margins is a reality.

SLIDE 26

Our fresh approach to the Bud launch, our digital campaign and our premium execution has driven amazing progress in brand awareness to 38% and first consideration to 21% in just 3 months.

During the world cup we had a huge 54% share of voice among all FIFA World Cup sponsors and related partners in Nigeria.

Globally we were 3rd behind Budweiser Brazil and UK, but 1st on total mentions.

This slide also shows you the strength of the Trophy and Hero digital campaigns during the World Cup and emphasizes my point earlier around the importance of digital conversations for our brands in Nigeria

SLIDE 27

And finally, we cannot ignore the Stout category. This is a whole new opportunity available for us to explore with an estimated size of 2.1 million HL. We currently only hold 4% of the share of the Stout category.

Here we have Eagle Stout which is a great product in the Core space. Eagle Stout is a very good beer and for the price you will not find a better one.

SLIDE 28

My first year in Nigeria has been a complete MBA and has taught me far more than I could have imagined. It has been intense, fun and unexpected.

We have been on a busy journey this year to build strong foundations in our business to prepare for growth and for the future. I think it is safe to say that AB InBev is now firmly on the radar in Nigeria.

We do admit that we have a Dream to become No 1 in everything we do in Nigeria.

It is an ambitious dream and it will be a long journey with interesting challenges but one that we are committed to.

SLIDE 29

The last year has given us reasons to believe in the Dream. We have combined and fully embraced AB InBev ways of working while remaining lean and entrepreneurial.

We have built a leadership team with combined global and local strengths and the best of both cultures.

We are evolving and transforming our route to market to go out further and wider.

We have amazing brands that resonate strongly with our consumers with great in trade execution.

And we have entered the premium space with a bang!

We are now in month two of Sagamu capacity and we are feeling energized and confident.

Thank you for your time, and I'd be happy to take any questions during the Q&A later.