

AB INBEV'S INVESTOR SEMINAR 2018
JOHANNESBURG, SOUTH AFRICA
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BU PRESIDENT –AFRICA SOUTH – MARCEL REGIS

SLIDE 2

Good afternoon everyone. So, before I start, let me introduce myself.

My name is Marcel Regis, and I am married with two kids. I have been working for AB InBev for 21 years.

Most of my career has been in the commercial part of the business. I was Head of Key Accounts for 3 years, Rio de Janeiro Regional Director for 2 years and VP of Soft Drinks in Brazil for 3 years.

In 2016, I had the opportunity to run the global commercial integration and since the beginning of 2017, I've been appointed the BU President South.

One thing that I'm most proud of, due to my commercial background, of course that needed to be connected to our growth agenda. In my case, I have achieved, with the team, a 10.8% revenue CAGR over the past 10 years across the roles that I have just mentioned.

So I am very proud of that and very glad to be hosting all of you here today to share part of what we are doing in our BU.

I really hope you enjoy this afternoon with us.

SLIDE 3

First, I'll take you through a country overview, reinforcing some of the content that Ricardo has already shared with you.

Then, I will give a bit more detail on our growth strategy and how this translates into our main initiatives.

Secondly, we will move into a Q&A session with some of my colleagues where you can ask us any specific questions that you may have.

And after the Q&A, I will explain more about the logistics of the market visit to give you a better understanding of what we are going to see in the trade.

Let's start with the South Africa overview then...

SLIDE 4

First of all, I really believe that South Africa presents a wide range of opportunities.

Our total legal drinking age population has increased by 3.5 million people since 2015. And alcohol consumption has also been increasing in the past 2 years.

And despite a modest start to 2018 we expect these trends to keep being positive due to overall population growth, increasing affluence and more women entering the workplace.

SLIDE 5

There are also three clear buckets for beer per capita growth. In South Africa, when looking at legal drinking age adults, they are currently consuming 87 liters of beer per person per annum.

However, looking at more detail, we see that women drink less than 20% of their male counterparts at only 26 liters.

In addition, consumption amongst low and high-income consumers is also below middle-income consumers. These are all opportunities for growth.

SLIDE 6

What's interesting is that the current market trends validate the opportunities described in the previous slide.

The first trend is premiumization.

As you all know, this is a global trend, which is also happening here. There is a growing middle class in this country and urbanization is increasing. Both of these mean that consumers are looking to stand out from their peers.

Drinking premium beers is a way for consumers to differentiate themselves. And as a result, the launch of Budweiser has been very successful and brands such as Stella Artois and Corona are experiencing exponential growth and expected to continue.

The second one, which is not a trend, but a huge opportunity, is Bringing Women into Beer. Women drinking beer offer us a massive opportunity in the country. They are currently under-indexed compared to men in all aspects of alcohol consumption.

And lastly, the affordability trend. In South Africa, there is an extremely large disparity between the very rich and very poor. In fact, one of the largest in the world. People are looking for value for their money and currently finding it from cheap spirits and low priced wines.

Additionally, we estimate that the informal alcohol market is around 20% of the total alcohol market in South Africa. So from our understanding, the affordability trend is something that will continue into the future.

SLIDE 7

So, after analyzing the main figures in South Africa along with the trends and opportunities, we've embedded these into our category expansion framework which translated into key commercial priorities for the business.

As mentioned by Ricardo, SA is an L2 market with some clear opportunities for expansion:

1. Premiumization.
2. Bring Women into Beer and
3. Defend the Core and Address Affordability

SLIDE 8

Our commercial priorities are linked to key initiatives that are vital for unlocking this growth.

In Premiumization we will: Expand Budweiser, Corona and Stella Artois to reach their full potential, Scale up the recent launch of Beck's and increase beer share of the in-home occasion.

To Bring women into beer we will: evolve our brand communication to be more inclusive, Launch female-friendly packs and easy drinking liquid profiles by leveraging our global portfolio and increase representation in the near-beer sub-category.

Then lastly, to Defend the Core and Address Affordability we will: Use Lion as an affordable offering, expand our 1L pack to reach its full potential, leverage our new price ladder.

Let me now take you through the key initiatives in more detail.

SLIDE 9

In the premiumization space, we have been gaining substantial share in the past 18 months. Our share has increased from 3% to over 22%.

This was mainly driven by our small non-returnable packs, such as Stella Artois, Corona and Budweiser. And there is definitely more to come.

SLIDE 10

We will continue to leverage our global portfolio, through our 3 global brands as well as the recent launch of Becks.

We have also expanded our current portfolio to the 660ml bottle, both with Budweiser in May 2018 and Becks at the end of July. We really expect this to enable further market share gains.

In terms of world class experiences, the World Cup was a key opportunity to excite consumers around Budweiser and we believe we took full advantage of this

In addition, since last year we have been working with a dedicated High End Company to leverage global best practices in advertising and executions.

SLIDE 11

And because we don't believe in a one size fits all approach to premiumization, we have a fit-for-need premium portfolio that talks to the expanding premium need states in the market.

As you have seen with Andrea:

1. Stella Artois addresses Sophistication
2. Corona, Rejuvenation
3. Budweiser, Ambition
4. And Becks, Discernment

So as we continue to develop and support these brands we will have a clear market advantage in the medium and long term.

SLIDE 12

Now let's talk about our 2nd commercial priority, 'Bring Women into Beer'. The reality is that this offers us a massive opportunity as women currently under index compared to men in all aspects of alcohol consumption.

Within alcohol participation, there is a 30-percentage point gap between male and female. And when looking at beer, we see an even larger gap.

SLIDE 13

An example of addressing this opportunity can be seen with our mixed gender offering, Flying Fish. This brand has seen exponential growth since 2016. And it plays a very important role in our portfolio as part of the flavored beer initiative within the category expansion framework.

SLIDE 14

The reason we are even more excited for the future, is the relevant liquid and packaging innovations in our pipeline, designed specifically to address women.

In addition, we are also evolving the way we connect with women through our Brand Communication strategy.

SLIDE 15

Now moving to our 3rd commercial priority, Defend the Core and Address Affordability.

Here is where the majority of our volume sits and, as you know, we have a strong presence in this segment. According to Nielsen, this segment, despite the pressure from High End, still accounts for over 90% of the market. So it is very important that we have solid initiatives for this commercial priority.

SLIDE 16

Our segment strategy has been based on 3 pillars.

1. We have expanded our price ladder to give more options and address the different needs of our consumers.
2. We have introduced the 1 liter bottle for Carling Black Label, Castle Lager and Castle Lite brands and moved Lion to R10 to ensure affordability.
3. And number 3, we are evolving our core brand messaging to be more relevant to our consumers.

As Ricardo mentioned before we have analyzed our product offerings and market opportunities to make sure that we have designed our portfolio for growth in the years to come.

SLIDE 17

So lets go now for a quick wrap up of the market overview and our main initiatives.

First, I have shared with you favorable trends for the South African consumer environment such as a strong Population growth and Alcohol consumption on the rise.

In addition, I have shared some consumer trends and how we have used our category expansion framework to define our key commercial priorities....

- 1) Premiumization
- 2) Bring Women into Beer
- 3) And Defend the Core and Address Affordability

So in summary, I know this is just a snap shot of our strategy in the market.

But we hope that when you see the trade later today you can connect to the main initiatives presented here, and you'll be as positive as we are about our future growth.

SLIDE 18

I'll be happy to take questions in our Q&A session and thank you very much.