

ANHEUSER-BUSCH INBEV INVESTOR DAY
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US CHIEF MARKETING OFFICER – MARCEL MARCONDES

Good afternoon everyone.

Nice to see many familiar faces. I'm Marcel Marcondes and I lead Marketing here in the US. My career started at Unilever, where I made a lot of shampoos. Then I finally joined the beer world at AB 14 years ago. Before moving to New York 5 years ago, I led our main brands in Brazil and also spent a few years in sales. Here in the US, I spent a few years at our global headquarters running some of our global brands and then joined North America as CMO.

Ok, so lets talk about marketing. And let me start by reinforcing what Michel said...we have one consistent strategic framework, where marketing touches all aspects, from building winning brands to leading category growth.

But what really excites me is the one mission, the north star: to Lead Future Growth.

Because it means we are moving from just being a leader to actually leading. We are working every day to make an impact...to create growth. And to do so, we are changing the way we think, the way we get things done. And this is what we are going to talk about today.

Alright. Within this mindset, last year we developed the 3 marketing principles that drive HOW we bring the strategy to life.

FIRST: we need to rebalance our portfolio of brands to win in all segments
SECOND: we need to boost our innovation machine to expand the category
THIRD: We need to elevate our connections model to win people's attention

Last but never least, we need to genuinely put people, our consumers, at the center of everything we do.

So, the first thing we are doing is reinventing how we interact with consumers. Because as you know, the US is very complex.

As Michel spoke about, there are three big unstoppable trends that we focus on

- 1) Health & wellness
- 2) Premiumization
- 3) Purpose-driven brands

But then when you multiply these macro trends by the consumer groups with different needs...things get complex fast.

So in summary, we are looking to get a deeper understanding of our consumers, in real time.

For example, Michel mentioned how we moved beyond the traditional research model to a more modern agile approach, with online panels talking to more than 6 thousand people every day. This is part of how we are reconnecting with people. And there is more.

We also now better understand how people feel. Through Neuroscience, we can track people's emotional responses to our work. This is a completely different way to understand consumers.

Lastly, we also pay closer attention to what people are talking about. Through active social listening, we tap into what is trending on digital media platforms. In Real time. This became a new routine, and was inspired by best practice visits we did with industry-leading newsrooms.

All in all, we have a totally different approach to interact with our consumers

So now lets talk about Rebalancing our Portfolio. This is a critical mission because there is no "one-size fits all" solution anymore...one or two big brands cannot satisfy people's complex needs. In the world as it is today, we can only command growth if we play a portfolio game.

As we all know, preferences are changing. Much of the volume traditionally captured by core brands like Bud and Bud Light is now trading-up, and also to the sides, looking for more styles and flavors.

As you can see, we have been in a tough spot. Our main business is concentrated in a declining segment, where our big core brands are being compressed. And, although Core+ is a stronghold for us, we are currently

underrepresented in the more premium segments, which are the ones growing.

So the bad news is, we are below fair share where the market is growing...but the great news is there is a lot of upside when we execute our new strategy. This is why the 5 priorities that Michel explained earlier are what they are. We are shifting our focus and aligning our teams to execute where the growth is, because that's where consumers are.

So, Bud and Bud Light remain very important of course. But we have made the big decision to rebalance and grow the business in a much healthier way. We are developing other segments and growing brands to unlock new growth. Let's see what we are doing by segment.

First, let's talk about Core+, our #1 priority.

Michelob ULTRA continues to lead the way. The brand is well positioned to take advantage of two very important trends; premiumization and health & wellness.

In an industry that is constantly changing, we have the next big thing in our portfolio. People are trading-up and choosing our Superior Light beer, with low carbs and low cal. And Health & Wellness is the new premium that people want more of. The brand has been true to an active lifestyle for many years and this will continue.

ULTRA results speak for themselves and brand health metrics continue to grow. There is so much to talk about here. On the left hand side, what you are looking at is the change vs. last year, so anything above the horizontal line is growth.

As you can see in the top graphs, both penetration (the number of people drinking our beer) and consideration (the number of people willing to drink our beer) have been growing for multiple years.

And below, we see that premium perception is also growing, both in "Worth What It Costs" and "High Quality Brand".

On the right hand side, you see that ULTRA has been the top share gainer in the industry for the past 4 years and counting. For anyone asking themselves if ULTRA can keep growing...

...the answer is YES. As you can see in the map, the brand is very developed in the Southeast, where in states like Louisiana ULTRA already has a 13% share...but in other states like California its 3%, so there is much more room to grow. And our system is aligned more than ever to deliver this growth.

In Super Premium, our priority #2, our biggest gains are coming from our craft portfolio. Mika, who leads our Brewers Collective, will share the strong craft business results with you in the immersion area. But our biggest brand remains Stella Artois.

And for Stella, we have great opportunities, but also some homework to do. We need to address PROXIMITY. Stella is super strong but has become too distant; a brand that people think about only for very special occasions.

So our new approach is all about building relatability and relevance in more occasions. Peter will explain to you today how Stella is evolving, to become the brand that makes every moment more special, instead of the brand for special moments only.

With this new approach, we are already seeing positive results. Brand health is growing, with Stella being the #1 penetration gainer thus far in 2019. Shopper frequency is going up and is growing faster than other import brands.

And people are talking about Stella Artois again. Consumer reaction to the Super Bowl campaign featuring iconic characters in American Culture like Carrie Bradshaw from Sex and the City, and the Dude from the Big Lebowski was very positive. It got 3x the social buzz vs. last year's Super Bowl spot. And there is more to come.

So now let's talk about Premium, our least developed segment. Because we are still very small here, the opportunities are huge.

Last year we proved that this segment is NOT just for Mexican Imports. And now we are building a much stronger portfolio of disruptive propositions, with three key growing brands.

First, Estrella Jalisco, our own Mexican beer, that is growing double digits...Then we disrupted the segment with the launch of Michelob ULTRA

Pure Gold. The organic beer, now with the USDA seal, which is delivering impressive segment share gains. And, more recently, we started to expand Patagonia, an outdoor lifestyle brand, also committed to planting a tree for every case purchased.

Overall, this puts us in a much stronger position to challenge the status quo. Again, there is a huge opportunity here.

So now let's talk about our mainstream brands. As most big legacy brands, Bud and Bud Light need to address two big issues: staying relevant in culture and having functional differentiation.

Bud Light is back as the talk of the town by speaking consumer's language. Instead of doing traditional advertising, BL created its own world, with characters and episodes like a Game of Thrones series. Over the last two years, we have rebuilt the entire brand world with a very consistent voice.

And to drive functional differentiation, BL is betting on transparency. We were the first movers in the industry with ingredients labels on our packaging, and started an open conversation about beer ingredients. Because Light Beers are NOT the same, and consumers deserve to know more about it.

So, when looking at brand health metrics, we see a huge inflection point starting in 2018. All key attributes, including quality perception, are not only performing better, they are back to growth after many years.

And, because we have reconnected to culture, Bud Light continues to dominate social conversation around beer.

Now Budweiser. For Budweiser, as an iconic representative of American Values, the way to drive cultural relevance is by celebrating "Ordinary People doing Extraordinary Things", leveraging a lot from sports.

And to drive quality, we are leading the industry on the use of renewable energy, and also letting people know that Bud is brewed with 100% American grains.

As you can see, Budweiser brand health is also trending very well since the end of 2017. It has been stable and positive. The brand team, led by Ricardo,

has consistently delivered top quality content that connects with people on a very emotional level.

For sure there is more work to be done, but we are making important progress in mainstream.

So, last but not least, let's talk about Beyond Beer. Here, we are still at the beginning of our journey. We have a lot of new news and are starting to play across the whole alcohol landscape.

In the past, Beyond Beer for us only included Flavored Malt Beverages, which we sometimes refer to as the 4th category. But now we are going even further, to build a portfolio that can address beyond beer as a whole. So on top of FMBs, we'll talk today about our recent moves into wine and spirits with Babe Rosé and Cutwater, as well as some disruptive innovations like Drinkworks.

I really recommend that you spend some time in our immersion area today.

So, overall there is a lot of good news here. We are back to overall positive volume growth and, more than ever, we are on our way to deliver our \$1BN incremental revenue goal.

So this was Portfolio Rebalance. In summary, our brands are making important progress and getting stronger in all segments. We are day-after-day building a winning portfolio, and this is fueling the performance gains that Michel shared earlier.

If we go back to the first slide in this chapter, when looking across all segments, our performance is in line with our strategy. We are now growing share in 4 out of 5 segments. We are getting better prepared to win where growth is, and where consumers are.

So, now let's talk about Innovation, the second marketing principle, because this is how we fuel the portfolio.

Here, we also needed to change.

We identified a clear opportunity to increase our innovation rate. We were behind the industry average, and we are here to lead future growth.

So we redesigned our entire innovation process.

And the new process is all about 2 things: deeper consumer involvement, so we can address real insights and consumer needs, and also speed and agility.

By doing that we addressed an opportunity to better meet people's and retailer's needs. And dramatically reduced lead times to deliver new products in months, not years.

Also, we are breaking down some internal walls, and coming together as a total company. We have a One Portfolio Approach, allowing good ideas to come from our disruption business, our craft business and our core business.

As a result, we have a much more robust pipeline of ideas. In 2018, we launched 7 smaller prototypes to seed future growth. Each of them launched in less than 100 days. It's an "always-on" approach that brings us new learnings from local markets across the country.

And this allows us to optimize before scaling our new products nationally. In 2018, we saw industry-leading results from our big innovations. Our top 3 new beers were, Bud Light Orange, Michelob ULTRA Pure Gold and Budweiser Reserve Collection, which combined delivered more than US\$200MM in revenue for the industry.

Let me share one case studies in particular for Michelob ULTRA Pure Gold.

I think it's a great example of acting as a leader to drive growth.

So, after all these changes in the innovation process, we started to see some positive results. We grew our innovation rate by almost 50%, which brought us from behind to ahead of the industry. In 2018, we also delivered 50% of all new innovation volume in the category. A huge step up from only 10% in 2017. This means we are LEADING the Innovation agenda again.

It was great to see Forbes bringing us back as the #1 innovative company in the alcohol industry last year. As a big company, we are very proud to be back there, proving our ability to change and adapt.

And the results in 2019 continue to be positive. We are still #1, driving the most innovation volume in the category. You will have the chance to sample many of our new beers in the immersion area.

So, after talking about Portfolio and Innovation, it is important to talk about our Connections model. Because we also identified important opportunities to evolve the way we connect our brands with our consumers.

And the opportunities are concentrated in two key areas:

First on sponsorships, where we needed to evolve to become more relevant to consumers, instead of delivering just brand visibility.

Second, although TV is still a relevant platform, its viewership is down. It's getting harder to capture people's attention. There is a big transformation happening out there in how people consume media, and we have to be at the edge of that transformation.

So in order to lead, we are also improving the way we connect with people. We started by gathering all our sponsorship partners, as well as our agency partners, to redefine our ambitions and the way we work together.

On the Sponsorship side, we now have contracts with variable compensation based on OUR results, creating partnerships that truly help US grow, instead of just being more visible.

And we are now able to use more relevant assets, to provide meaningful experiences to consumers. For example, for the last 60 years we couldn't use active players...but now we can. This makes a big difference in the way we create content.

And this year, we had the biggest Super Bowl ever. But not just because of the TV spots, this time we had the first ever Music Festival during the Super Bowl weekend, livestreamed to the whole country. This exclusive property offers unique experiences for consumers, benefits our brands, and also the NFL.

And a similar approach is happening on the agency side.

But before I talk about what they did to change, let me tell you what we did. Because here we led by example and created Draftline, our own internal agency. Draftline is now one of our global best practices, present in 11 countries and growing.

It gives us a real competitive advantage, because it allows us to better connect data and creativity, with a digital-first approach.

Our team can now deliver content that is tailor-made for different consumer groups, in different cities, according to different occasions. It's all about doing "personalization at scale".

And on top of that, 100% of the support for our innovation prototypes, like Patagonia, is powered by Draftline. From trade assets, to packaging, to digital...everything.

These capabilities are also important to free up our big agencies, to do more of the disruptive creative work. And we have expanded how we work with them as well, building a creative eco-system where different agencies bring ideas from different angles, instead of a one stop shop. We are creating a "Relevance-First" mindset, instead of a "TV-first" mindset.

And things are changing. With this model, we have created a lot of Super Bowl worthy moments. All of them executed in a digital way, reaching even more people than the big game with much more frequency. At this rate, we are delivering almost one "Super Bowl moment" every month.

You'll see a lot of this with the brand teams today. But let me show you just one example that connects everything we are talking about:

No TV

Local approach

Using sponsorships in a different way

And, more importantly, driving results.

This mindset of being more local and culturally relevant is now implemented across our whole portfolio. And by doing that, we are leaders in "share of ATTENTION"...of what people talk about.

We are by far THE number one company in social conversations, with more than 67% share in the industry. That's about 1.5x our fair share, and it goes

up even more during critical moments like the Super Bowl. So, when people are checking their phones, they are engaging with our brands.

So, that was the Connections chapter, showing how we are reconnecting with consumers in new ways.

Now to finish, I want to bring everything back to people. Because it's not only about the people who drink our products, but also about our people...the ones who make up our company.

We know that diversity is important. And we must reflect inside the diversity that exists with consumers outside in the market. So we are fostering teams with diverse backgrounds and diverse ways of thinking.

Externally, we are also pioneering work to make a difference in how we engage with different consumer groups. For example, we were the first brewer to join SeeHer, which supports positive female representation in advertising.

And we are one of two inaugural clients to join AdFellows, which provides a new recruitment approach to bring more diversity into the office and also at our agencies.

We are also doing more than ever to train our team to work under this new reality of the business. We created a fully dedicated department responsible for ensuring our team is top performing. From dedicated time for trainings to a monthly speaker series, it's having a clear impact.

Our people are re-energized and team engagement is growing. Ultimately, this engagement is helping us build a winning mindset.

This year, the US won the AB InBev award for Marketing Team of the Year

And externally, we were also the most recognized beverage company. This cut across our creative campaigns, our digital work, and our partnerships, like Wieden+Kennedy, our biggest partner, awarded Agency of the Year.

In summary, it's been a great journey so far. I usually say it's a marathon, for sure we still have a lot of work to do, but I really wanted to share with you how we are:

- 1) Making progress in our portfolio rebalance to capture growth across all industry segments
- 2) how we are leading on Innovation through Agility, and
- 3) how we are reinventing our Connections model to build relevant brands.

All by keeping people, our consumers, at the center of everything we do.

Today you will meet the people behind the brands, the ones really driving this change. They will share with you their top priorities and key initiatives in the immersion area. I am very proud to say that, the team you are going to meet today... is currently the most awarded marketing team in the beverage industry.

Thank you very much.