

A person wearing a red shirt and a light-colored cap stands in a field of tall, golden grass, gently touching the nose of a dark horse. The scene is set during sunset or sunrise, with a warm, orange glow across the sky and the horizon. In the background, there are silhouettes of trees and a small cluster of buildings.

ABInBev

# Third Quarter 2018 Results

25 October 2018

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**3Q18 Results & Highlights**

**US Strategy Update**

**Financials**

**Q&A**

# Highlights of the quarter

- **Revenue growth** despite headwinds across emerging markets
- Global brand portfolio revenues grew **double-digits** outside of their home markets
- **Affordability platform expansion** with introduction of cassava-based “Nossa” in Brazil
- Launched **100+ Accelerator** to help achieve our 2025 Sustainability Goals
- Acceleration in **EBITDA growth**, despite an increase in year-over-year commodity prices



# 3Q18 Financial Summary

## Total Revenue **+4.5%**

- Revenue per hl **+4.2%**,  
**+4.4%** on a constant geographic basis
- Global Brands **+7.7%**,  
**+10.6%** outside of their home markets

## Total Volumes **+0.2%**

- Own beer **+0.5%**, non-beer **-2.4%**

**EBITDA +7.5%** and EBITDA margin expanded by **116 bps** to **40.3%**

**Normalized EPS** decreased by **\$0.49** from **\$1.31** in 3Q17 to **\$0.82** in 3Q18

- **Underlying EPS** decreased by **\$0.03** from **\$1.19** in 3Q17 to **\$1.16** in 3Q18

**Interim dividend of €0.80 per share**





# Major country highlights

-  **US:** Top-line growth in 3Q18 with continued progress of our commercial strategy
-  **Mexico:** Increased differentiation of our classic lager and easy drinking portfolio
-  **Colombia:** Aguila volumes up >50% fueled by 2018 FIFA World Cup Russia™
-  **Brazil:** Continued premiumization and new affordability initiatives
-  **South Africa:** Challenging quarter due to macro headwinds and out-of-stocks
-  **China:** Strong momentum with mid-single digit volume growth of Budweiser

# Global Brand revenues +7.7% in 3Q18 and +10.6% outside of their home markets

## Budweiser +6.4%

- Sustained momentum post 2018 FIFA World Cup Russia™, growing top-line 9.3% outside of the US
- Scaled growth in new launch markets of South Africa, Nigeria & Colombia, which contributed ~20% of top-line growth
- Successfully launched Budweiser Reserve Copper Lager in the US in collaboration with Jim Beam
- Activation of Tomorrowland, the world's largest music festival, including a bespoke Budweiser stage and an exclusive influencer district



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## Stella Artois +5.7%

- Successfully launched new brand campaign *Joie de Bière* across 15 markets, inspiring people to bring enjoyment to every day
- Continued balanced growth across both established and expansion markets
- UK grew double-digits through activation of Wimbledon with first-ever on-pack activation
- Canada delivered >20% growth through strong commercial activation of the meal occasion including integration with leading home meal delivery partner "Chef's Plate"

## Corona +10.6%

- The Corona Sunsets franchise continues to expand, with 11 000 events expected to be activated in 2019. Self-funding model has begun to revolutionize experiential events worldwide
- Corona Ligera, which launched earlier this year, became the #1 Premium imported mid-strength beer in Australia with 25% share of segment
- Proprietary retail model "Vista Corona" launched in Barcelona in partnership with ZX Ventures



## Launch of 100+ Accelerator to support achievement of 2025 Sustainability Goals

- **10 challenges** aligned to our 2025 Sustainability Goals
- **600+ submissions** from around the world
- **21 start-ups** selected to join the program
- Start-ups will **pitch ideas** to AB InBev leaders and an external audience in 2019
- Innovative technologies will **support sustainability progress** and **drive value** for our business





# US STRATEGY UPDATE



# Looking back over the last ten years...



**TOP-LINE**



**EBITDA**



**EBITDA MARGIN**



**CASH FLOW**

We have historically delivered strong **EBITDA** and **Cash Flow** performances, while **Top-line** has been below our initial expectations

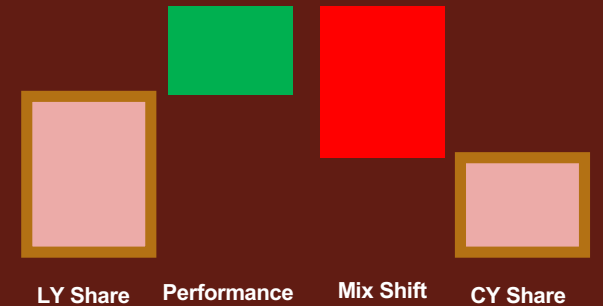
# Volumes under pressure from a softer industry and segment mix shift within beer



Beer is **losing share of throat** to wine & spirits



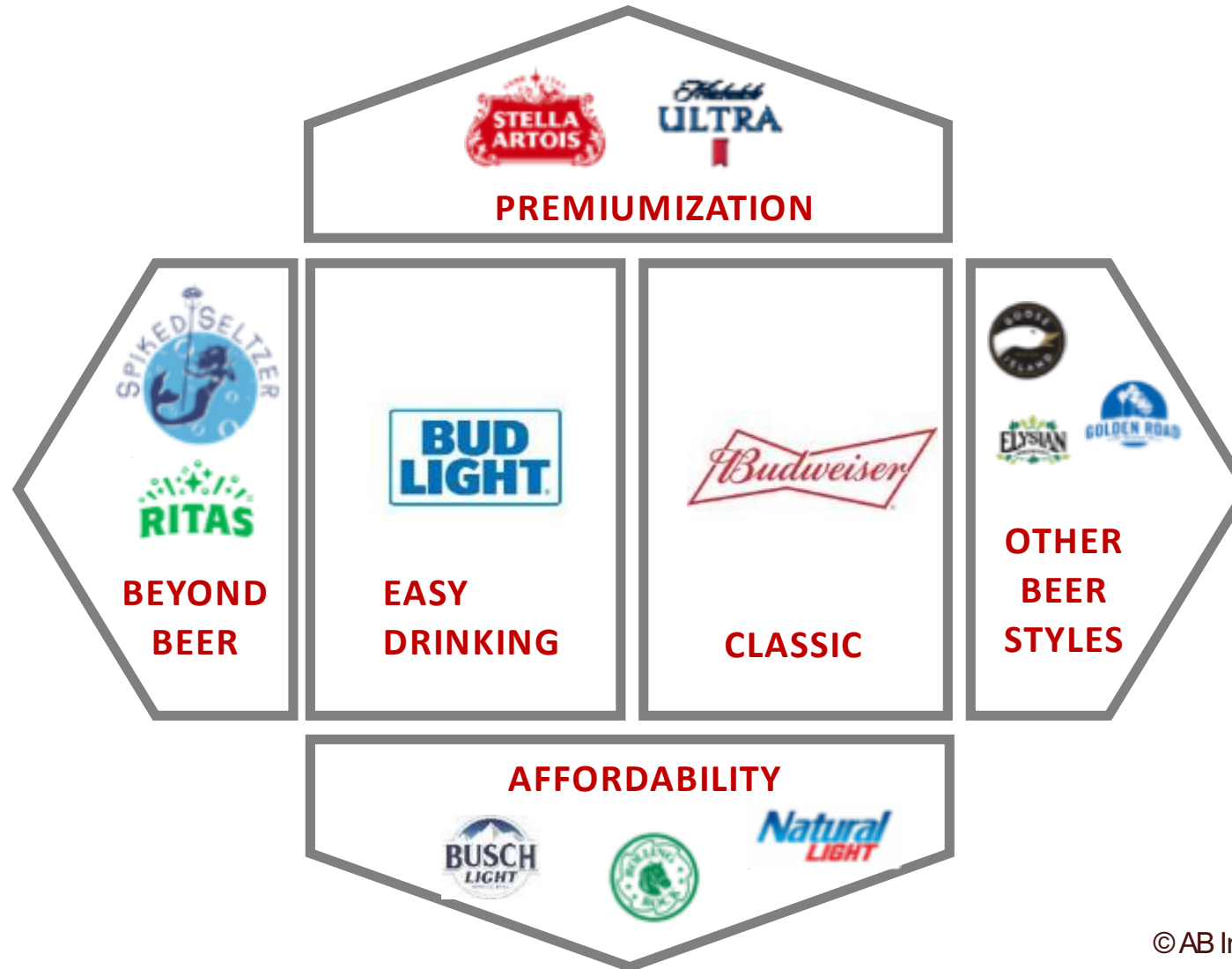
Major consumer trends, such as premiumization, and demographic shifts are resulting in a **segment mix shift within beer**



Our **positive segment share performance** is more than **offset by mix shift** resulting in **overall share loss**



# To identify opportunities for growth in the US, we leveraged the category expansion framework



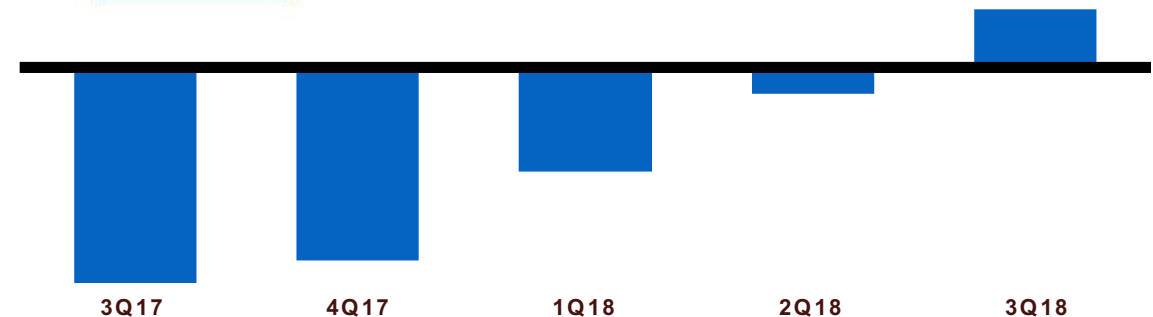
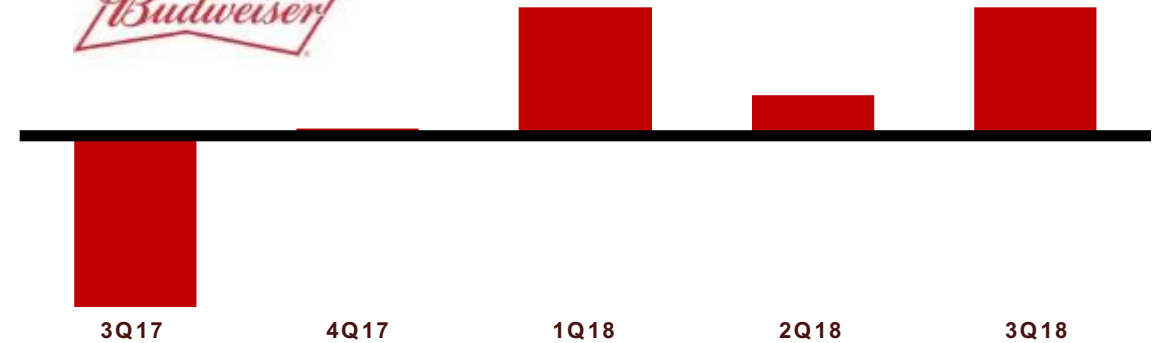
# This led to the development of a focused strategy built upon five commercial pillars



**We have executed successful commercial initiatives on our Mainstream brands...**

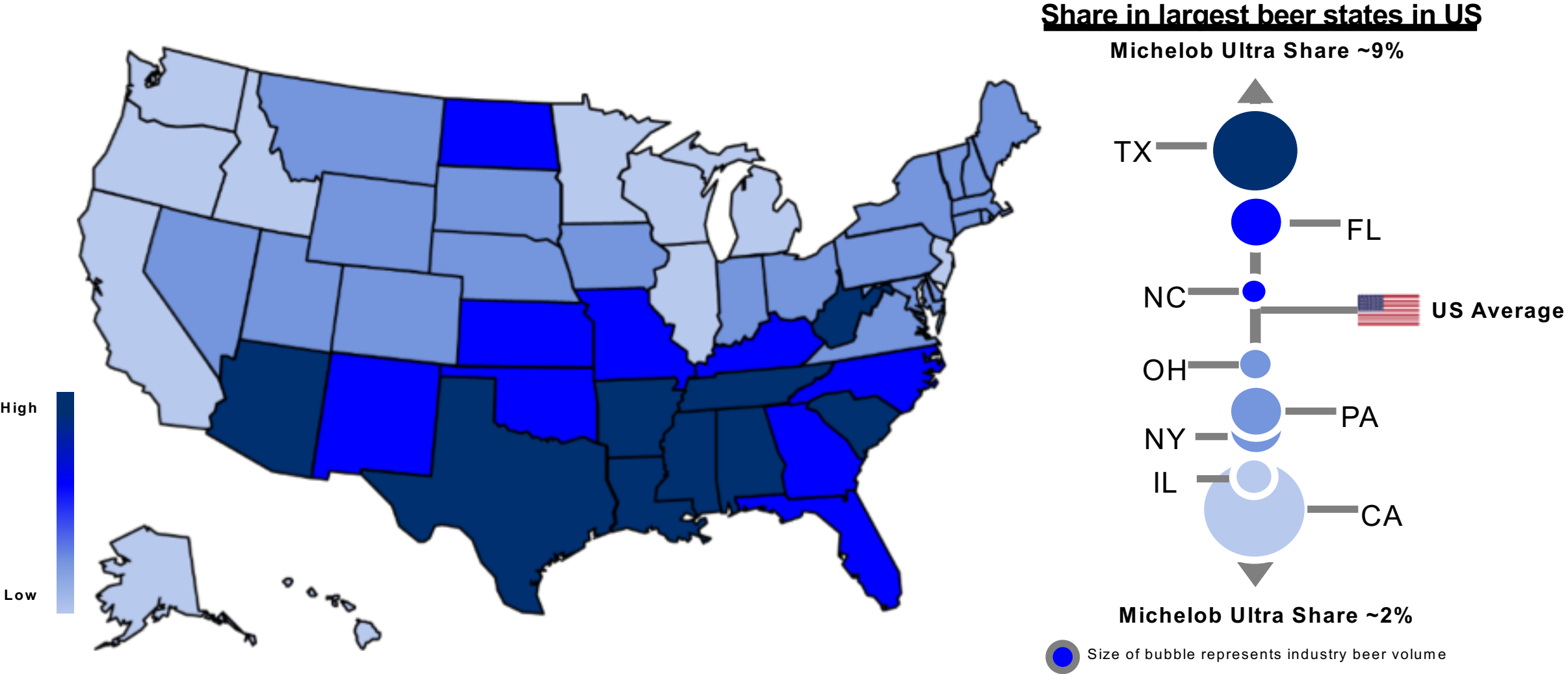
**...resulting in Budweiser and Bud Light growing penetration in 2018**

OPEN  
THE  
COOLERS  
DILLY DILLY





# Michelob Ultra continues to grow rapidly (>20% CAGR) with a significant opportunity for additional growth across the US



Our Above Premium innovations are among the top 15 share gainers this year, driving incremental growth to our portfolio and our category

#6



#10



#14

*Budweiser Reserve Series*





# US STRATEGY UPDATE



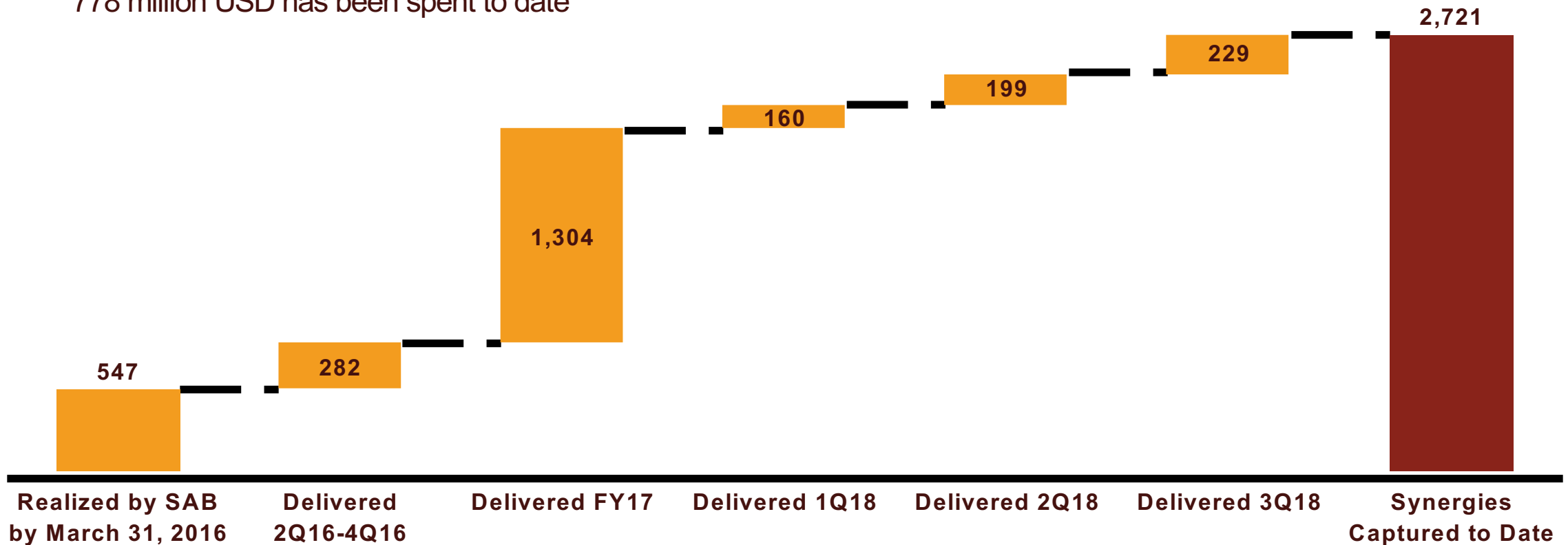
# Financials

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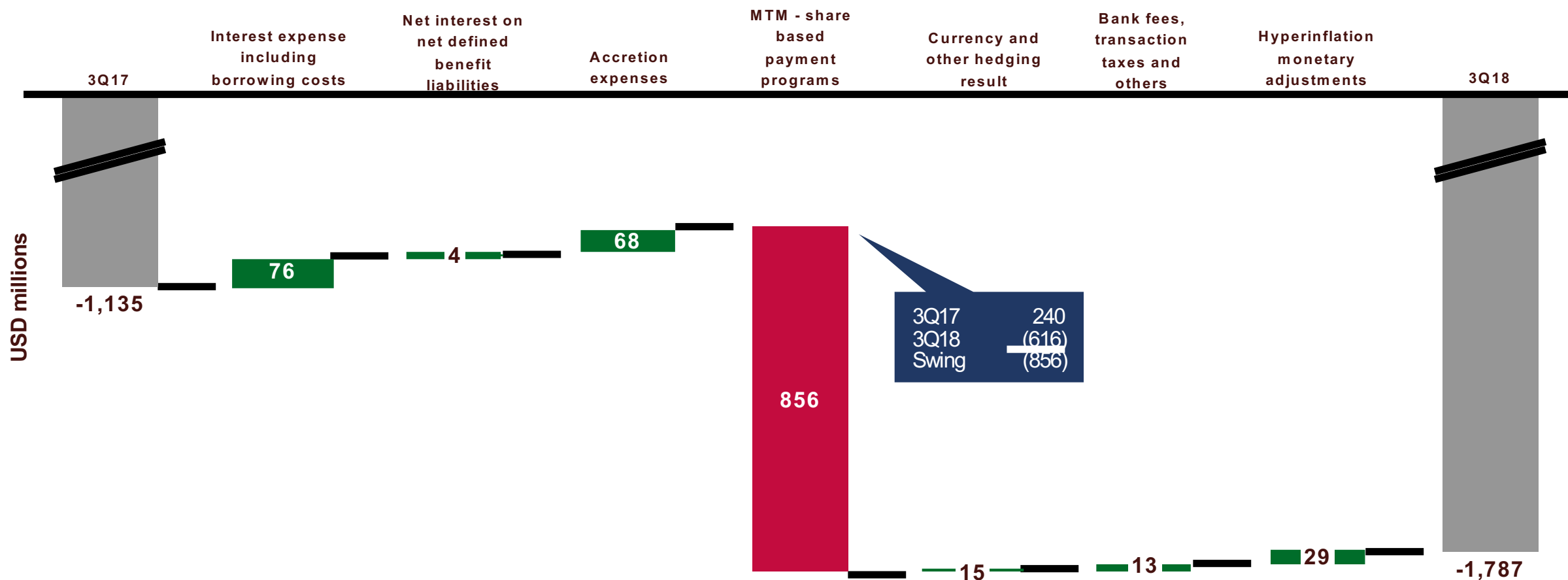


# Synergy capture continues

- Continue to expect estimated incremental pre-tax synergies of **3.2 billion USD per annum** (on a constant currency basis as of August 2016), including the 1.05 billion USD cost and efficiency savings identified by SAB, to be delivered by October 2020, and **does not include** any top line or working capital synergies
- Estimated one-off cash costs of **~1 billion USD** over the first 3 years following the close of the combination, of which 778 million USD has been spent to date

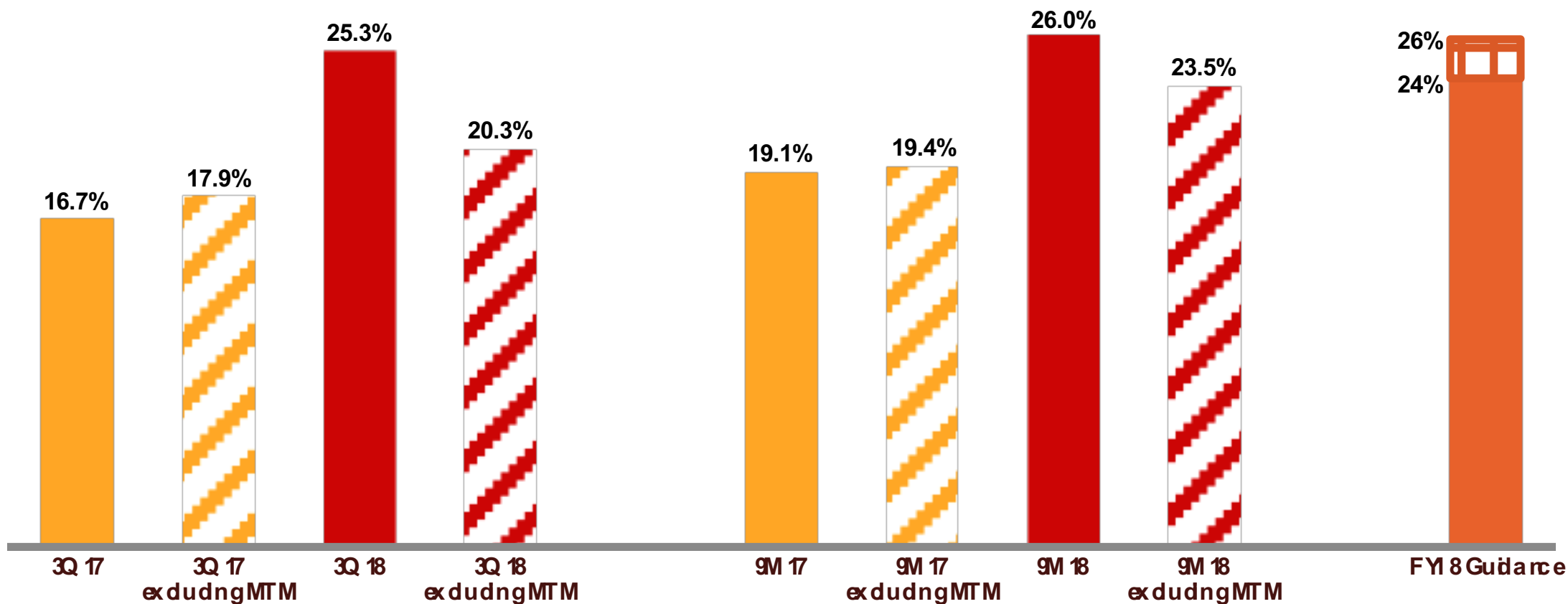


# Increase in Net Finance Costs driven entirely by the swing in MTM on the share-based payment programs

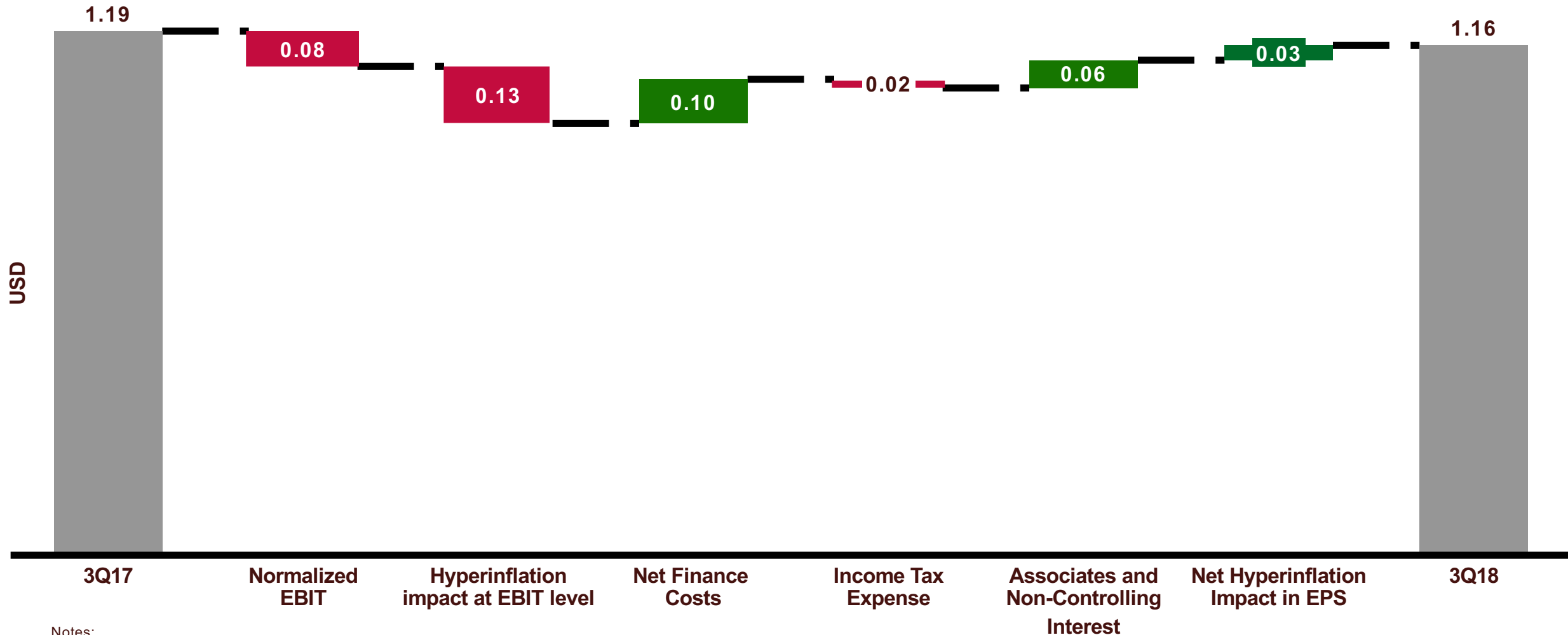




# Normalized Effective Tax Rate (ETR)



# Underlying EPS of \$1.16 versus \$1.19 in 3Q17



Notes:  
 (1) Underlying EPS refers to Normalized EPS excluding the impact of mark-to-market relating to our share-based programs and hyperinflation adjustment in Argentina  
 (2) 3Q17 and 3Q18 calculated based upon weighted average number of shares of 1 970 and 1 975 million respectively

# Capital Allocation Objectives

Our **optimal capital structure** is a Net Debt/EBITDA ratio of approximately 2x.

The priorities for the use of cash are as follows:

1. **Organic growth:** Investing in the organic growth of our business
2. **Deleveraging:** Deleveraging to around the 2x level remains our commitment
3. **Selective M&A:** Non-organic, external growth is a core competency and we will continue to consider suitable opportunities when and if they arise, subject to our strict financial discipline and deleveraging commitment
4. **Return of cash to shareholders:** Our goal is for dividends to be a growing flow over time from the rebased level in line with the non-cyclical nature of our business. Given the importance of deleveraging, dividend growth is expected to be modest



# Capital Structure Decisions

- **Consistent with our capital allocation priorities** and in light of recent currency volatility, we are rebasing our dividend payout **to accelerate deleveraging** while continuing to prioritize investment in organic growth opportunities and creating greater financial flexibility
- The Board approved an interim dividend of **€0.80 per share** and has the intention to propose a final dividend of **€1.00 per share**, for a total dividend payment for the fiscal year 2018 of **€1.80 per share**
- This dividend rebase will release approximately **\$4 billion of additional cash annually** to accelerate deleveraging
- Approaching our optimal leverage ratios of around 2x Net Debt/EBITDA is expected to **maximize Total Enterprise Value** as a result of overall lower cost of capital, **which should benefit both debt and equity holders**
- **Approximately 90% of the capital structure optimization value** is expected to be captured in the early stages of deleveraging to around 3x Net Debt/EBITDA



# Q&A

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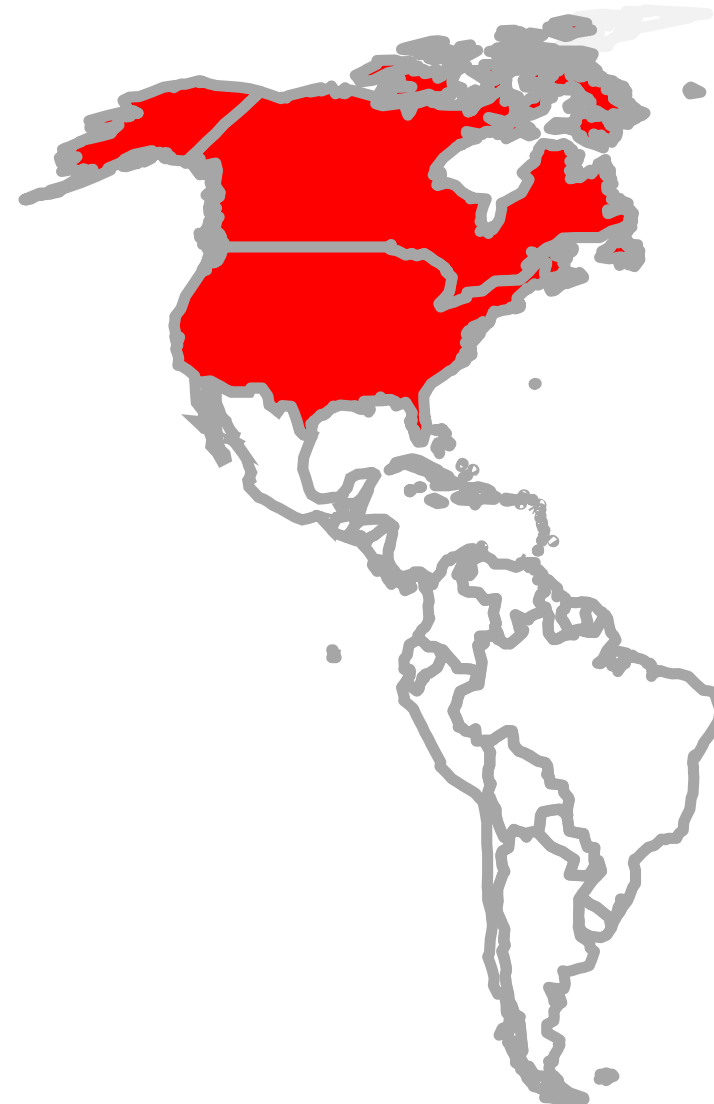
# Appendix

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# North America – 3Q18 Summary

- Revenue **+1.4%**
  - Revenue per hl **+1.8%** as a result of premiumization and revenue management initiatives
- Volumes **-0.5%**
- EBITDA **-2.2%** with **margin contraction** of **147 bps** to **40.1%**



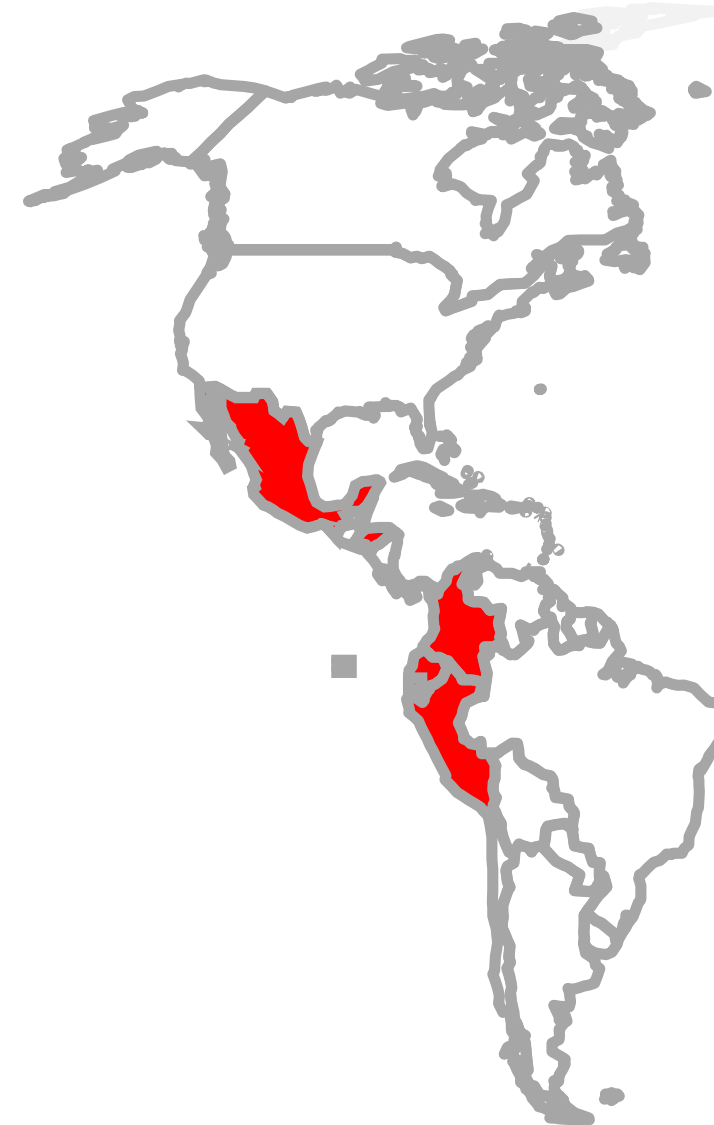
# US – 3Q18 Summary

- Industry STRs **-0.5%**
- AB InBev STRs **-1.5%**
- Market share **decline** of **50 bps**
- AB InBev volumes (STWs) **-0.5%**
- Revenue **+1.5%**
  - Revenue per hl growth of **+2.0%**
- EBITDA **-1.9%** with **margin contraction** of **142 bps** to **40.5%**



# Latin America West – 3Q18 Summary

- Revenue **+6.3%**
  - Revenue per hl **+4.6%** as a result of premiumization
- Volumes **+1.6%**
- EBITDA **+17.6%** with **margin expansion** of **502 bps** to **52.7%**





# Latin America North – 3Q18 Summary

- Revenue **+3.7%**
  - Revenue per hl **+6.3%** as a result of annual price increase and premiumization
- Volumes **-2.5%**
- EBITDA **+11.6%** with **margin expansion** of 304 bps to 42.9%



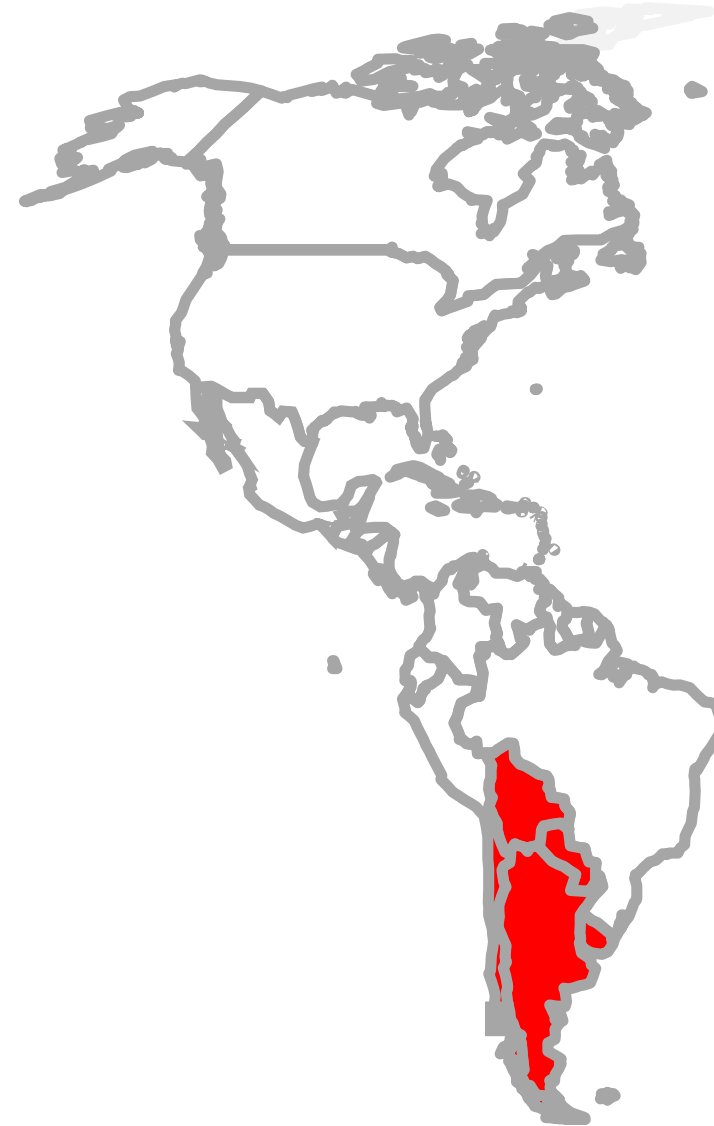
# Brazil – 3Q18 Summary

- Revenue **+2.1%**
- Industry beer volumes **declined** due to challenging macro environment
- Volumes **-3.3%**
  - Beer volumes **-3.1%**
  - Non-beer volumes **-3.9%**
- EBITDA **+13.8%** with **margin expansion** of **446 bps** to **43.6%**



# Latin America South – 3Q18 Summary

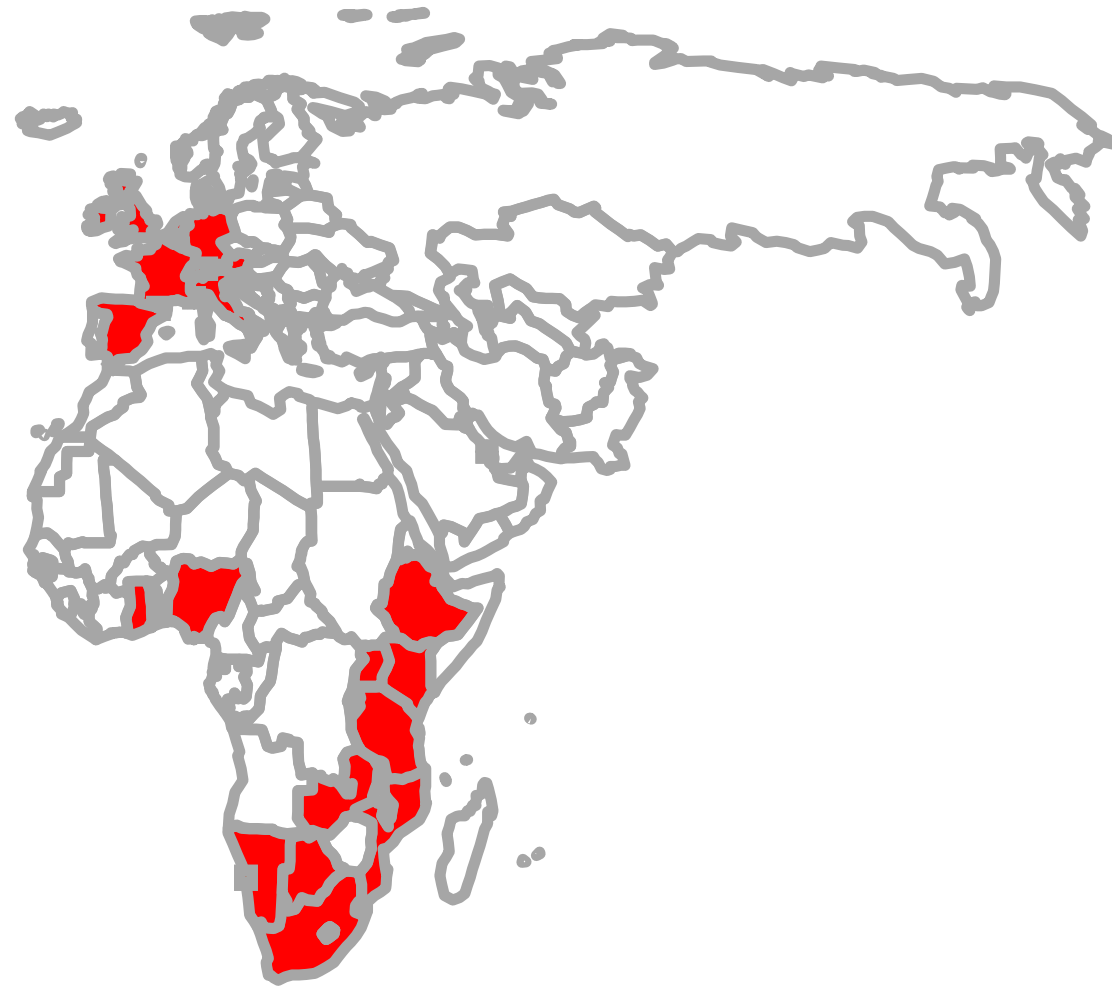
- Revenue **+13.8%**
  - Revenue per hl **+19.9%** due to price increases in line with inflation and premiumization
- Volumes **-5.1%**
- EBITDA **+14.4%** with **margin expansion** of **25 bps** to **41.1%**





# Europe, Middle East & Africa – 3Q18 Summary

- Revenue **+4.8%**
  - Revenue per hl **+0.6%**, due to brand mix driven by premiumization
- Volumes **+4.1%**
  - Own beer volumes **+4.7%**
- EBITDA **-0.9%** with **margin contraction** of **216 bps** to **37.5%**



# Asia Pacific – 3Q18 Summary

- Revenue **+5.2%**
  - Revenue per hl **+4.3%**, due to premiumization, enhanced by continued growth of the High End Company
- Volumes **+0.8%**
- EBITDA **+14.6%** with **margin expansion of 304 bps to 36.8%**

