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

**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

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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
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:

1. **Build Winning Brands**
   - BUD LIGHT
   - GOOSE IPA
   - STELLA ARTOIS

2. **Lead the Trade Up**
   - Budweiser
   - FINSIAN

3. **Stabilize Mainstream**
   - BUD LIGHT
   - BUSCH

4. **Gain Share Beyond Beer**
   - PINE SPIRITED RITA
   - LIME RITA
   - hi-ball

5. **Lead Category Growth**
   - Budweiser ULTRA
   - Soie
We have executed successful commercial initiatives on our Mainstream brands…

…resulting in Budweiser and Bud Light growing penetration in 2018.
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.
Financials
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)

- 3Q17 excluding MTM: 16.7%
- 3Q17 excluding MTM: 17.9%
- 3Q18 excluding MTM: 20.3%
- 3Q18 excluding MTM: 25.3%
- 9M17 excluding MTM: 19.1%
- 9M17 excluding MTM: 19.4%
- 9M18 excluding MTM: 26.0%
- 9M18 excluding MTM: 23.5%
- FY18 Guidance: 26%
- FY18 Guidance: 24%
### Underlying EPS of $1.16 versus $1.19 in 3Q17

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<thead>
<tr>
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<th>3Q17</th>
<th>3Q18</th>
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<tr>
<td>Normalized EBIT</td>
<td>1.19</td>
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<td>Hyperinflation impact at EBIT level</td>
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<td>Net Finance Costs</td>
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<td>Income Tax Expense</td>
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<td>Associates and Non-Controlling Interest</td>
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<tr>
<td>Underlying EPS</td>
<td>1.19</td>
<td>1.16</td>
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**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.

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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.
Appendix
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%