
AB InBev

# Full Year and Fourth Quarter 2019 Results

## 27th February 2020

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Certain statements contained in this report that are not statements of historical fact constitute forward-looking statements, notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in the future filings of the Company with the competent securities regulators or other authorities, in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements.

Forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the Company's control and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others: (i) local, regional, national and international economic conditions, including the risks of a global recession or a recession in one or more of the Company's key markets, and the impact they may have on the Company and its customers and its assessment of that impact; (ii) financial risks, such as interest rate risk, foreign exchange rate risk (in particular as against the U.S. dollar, the Company's reporting currency), commodity risk, asset price risk, equity market risk, counterparty risk, sovereign risk, liquidity risk, inflation or deflation, including inability to achieve the Company's optimal net debt level; (iii) continued geopolitical instability, which may result in, among other things, economic and political sanctions and currency exchange rate volatility, and which may have a substantial impact on the economies of one or more of the Company's key markets; (iv) changes in government policies and currency controls; (v) continued availability of financing and the Company's ability to achieve its targeted coverage and debt levels and terms, including the risk of constraints on financing in the event of a credit rating downgrade; (vi) the monetary and interest rate policies of central banks; (vii) changes in applicable laws, regulations and taxes in jurisdictions in which the Company operates; (viii) limitations on the Company's ability to contain costs and expenses; (ix) the Company's expectations with respect to expansion plans, premium growth, accretion to reported earnings, working capital improvements and investment income or cash flow projections; (x) the Company's ability to continue to introduce competitive new products and services on a timely, cost-effective basis; (xi) the effects of competition and consolidation in the markets in which the Company operates; (xii) changes in consumer spending; (xiii) changes in pricing environments; (xiv) volatility in the prices of raw materials, commodities and energy; (xv) difficulties in maintaining relationships with employees; (xvi) regional or general changes in asset valuations; (xvii) greater than expected costs (including taxes) and expenses; (xviii) the risk of unexpected consequences resulting from acquisitions, joint ventures, strategic alliances, corporate reorganizations or divestiture plans, and the Company's ability to successfully and cost-effectively implement these transactions and integrate the operations of businesses or other assets it has acquired; (xix) the outcome of pending and future litigation, investigations and governmental proceedings; (xx) natural or other disasters, including widespread health emergencies, cyberattacks, military conflicts and political instability; (xxi) any inability to economically hedge certain risks; (xxii) an inability to complete any strategic options with respect to the Company's Asian Pacific businesses; (xxiii) inadequate impairment provisions and loss reserves; (xxiv) technological changes and threats to cybersecurity; and (xxv) the Company's success in managing the risks involved in the foregoing. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made.

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# AGENDA

- 2019 Takeaways
- Key Market Highlights
- Non-Alcohol and Direct to Consumer Update
- Better World Update
- Financials
- Q&A

# FY19 KEY TAKEAWAYS

## POSITIVES

- **Strong and balanced top-line growth,** with our **third consecutive year of volume growth**
- **Improved performance in the US**, our largest market
- Significant **progress toward our deleveraging commitments**

## NEGATIVES

- **Highest cost of sales headwind** in the past decade
- **Challenging macroeconomic environments** in many relevant markets
- **Softness in the nightlife channel in China,** our most profitable channel in the country

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# FY19 FINANCIAL SUMMARY


**Total Revenue +4.3%**

- Revenue per hl **+3.1%**

**Total Volumes +1.1%**

- Own beer **+0.8%,** non-beer **+4.8%**

**EBITDA +2.7%** and EBITDA margin contracted by **65 bps** to **40.3%**

**Normalized EPS increased by $0.92 to $4.08**

**Underlying EPS decreased by $0.47 to $3.63**

**Net debt to EBITDA ratio of 4.0x at 31 December 2019***

**Proposed final dividend of €1.00 per share, with FY19 total of €1.80 per share**

**Accounting for the proceeds expected to be received from the divestment of the Australian operations while excluding the last 12 months EBITDA from the Australian operations*

# 4Q19 FINANCIAL SUMMARY

**Total Revenue +2.5%**

- Revenue per hl **+0.9%**
- Global Brands **+2.1%** and **+3.9%** outside of their home markets

**Total Volumes +1.6%**

- Own beer **+0.8%,** non-beer **+8.0%**

**EBITDA -5.5%** and EBITDA margin contracted by **336 bps** to **40.1%**

**Normalized EPS decreased by $0.23 to $0.48**

**Underlying EPS decreased by $0.30 to $0.87**

# Global Brand Portfolio

## FY19 Revenue +5.2%

## +8.0% outside of home markets

| +3.3% | +6.5% | +21.0% |
|---|---|---|
| *FY19 Revenue Growth outside of the US* | *FY19 Revenue Growth outside of Belgium* | *FY19 Revenue Growth outside of Mexico* |
| *Fastest growing brand in Europe; challenging 2H19 in China* | *Growth led by the US and Brazil* | *Corona grew by double-digits in the majority of our markets* |


# KEY MARKET HIGHLIGHTS



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# US: MAKING PROGRESS AGAINST OUR FIVE COMMERCIAL PRIORITIES

| | AMBITION | PROGRESS SINCE 2017 |
|---|---|---|
| *Expand* **Core Plus**  | DOUBLE INDUSTRY SEGMENT MIX | GREW FROM 6% IN 2017 TO 8% MIX IN 2019, WITH CONTINUED MICHELOB ULTRA MOMENTUM |
| *Lead & Shape* **Super Premium**  | DOUBLE SHARE OF SEGMENT | SHARE OF SEGMENT FLAT, WITH CRAFT GROWING DOUBLE-DIGITS AND STELLA ARTOIS STABILIZING VOLUME |
| *Disrupt* **Premium**  | 10X VOLUME GROWTH | 2X VOLUME SINCE 2017<br>MICHELOB ULTRA PURE GOLD GROWING TRIPLE-DIGITS |
| *Stabilize* **Mainstream**  | FLAT SHARE OF SEGMENT | SHARE OF SEGMENT LOSS OF 15 BPS IN 2019 (VERSUS A LOSS OF 60 BPS IN 2017) |
| *Capture Growth* **Beyond Beer**  | GROW +$1B IN NET REVENUE | DOUBLE-DIGIT REVENUE GROWTH IN 2019<br>LAUNCH OF BUD LIGHT SELTZER IN 2020 |

# MEXICO: SIGNIFICANT OPPORTUNITIES FOR CONTINUED GROWTH

## DEVELOP INDUSTRY PER CAPITA CONSUMPTION

- **Drive frequency** with the meal occasion
- Increase penetration among **women**
- **Affordability**

## DRIVE PREMIUMIZATION WITH GLOBAL & LOCAL PREMIUM BRANDS AND CRAFT

- **Premium segment under-indexed** vs markets of similar maturity, but **growing over 30%**
- **Our brands growing double-digits, with High End Company** dedicated structure

## EXPLORE BEER ADJACENCIES, INCLUDING NABLAB AND NEW VENTURES


- **Share of throat** opportunity
- Mexico has **world's highest non-alcohol beverage per capita** consumption
- Increase penetration among **women**

## EXPAND OUR PRESENCE IN NEW AND EXISTING CHANNELS

- Further **opportunities in north/southeast**
- **Digital evolution** as part of our contact strategy – key differentiator vs our competition

# COLOMBIA: ENHANCING OUR PORTFOLIO TO REACH NEW CONSUMERS

## RECORD HIGH SHARE OF PREMIUM SEGMENT, OUR PORTFOLIO GROWING DOUBLE DIGITS


## INNOVATIONS CONTRIBUTED OVER 30% OF OUR VOLUME GROWTH




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# BRAZIL: LAUNCHED SUCCESSFUL INNOVATIONS ACROSS THE PRICE SPECTRUM, NOW MAKING UP 10% OF OUR REVENUE IN THE COUNTRY

## PREMIUM PORTFOLIO OF GLOBAL AND INTERNATIONAL BRANDS & CRAFT


## SKOL PURO MALTE – OUR LARGEST INNOVATION LAUNCH IN BRAZIL


## MAGNÍFICA IS NOW THE LEADING VALUE BRAND IN MARANHÃO


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# SOUTH AFRICA: +2PP TOTAL SHARE OF ALCOHOL IN 2019, BY IMPLEMENTING THE CATEGORY EXPANSION FRAMEWORK

## PREMIUMIZATION

*Corona grew triple-digits as we achieved our highest ever market share in the premium segment*

## ADJACENCIES

*Strong double-digit growth driven by Flying Fish and Brutal Fruit*

## EASY DRINKING

## CLASSIC

## CORE LAGER

*Return to growth in Core bulk portfolio, reversing the recent downward trend*

## OTHER STYLES

*Strong double-digit growth of Castle Milk Stout*

## SMART AFFORDABILITY

*Growing by double-digits, attracting incremental volume*

# IN CHINA, OUR SUPER PREMIUM PORTFOLIO DELIVERING DOUBLE-DIGIT VOLUME GROWTH THROUGH THE HIGH END COMPANY

## BEST-IN-CLASS HIGH END PORTFOLIO & STRATEGIC APPROACH TO BRAND EXPANSION

| MARKET MATURITY STAGE | MID MATURITY | | | HIGH MATURITY |
|---|---|---|---|---|
| LAGER | Corona, Blue Girl | Corona, Blue Girl, Stella Artois | Corona, Blue Girl, Stella Artois | Corona, Blue Girl, Stella Artois |
| WHEAT | | Hoegaarden | Hoegaarden | Hoegaarden |
| ALE | | Leffe | Leffe | Leffe |
| IPA | | | Goose IPA | Goose IPA |
| STOUT | | | Guinness | Guinness |
| LOCAL CRAFT / LIFESTYLE | | | Boxing Cat | Franziskaner, Sapporo |

## DELIVERING SUSTAINABLE RESULTS & FUTURE GROWTH

#1 SUPER PREMIUM BRAND

ONE OF THE FASTEST GROWING SUPER PREMIUM BRANDS

LARGEST MARKET BY REVENUE GLOBALLY

## SPECIALIZED SALES TEAM & ROUTE TO MARKET


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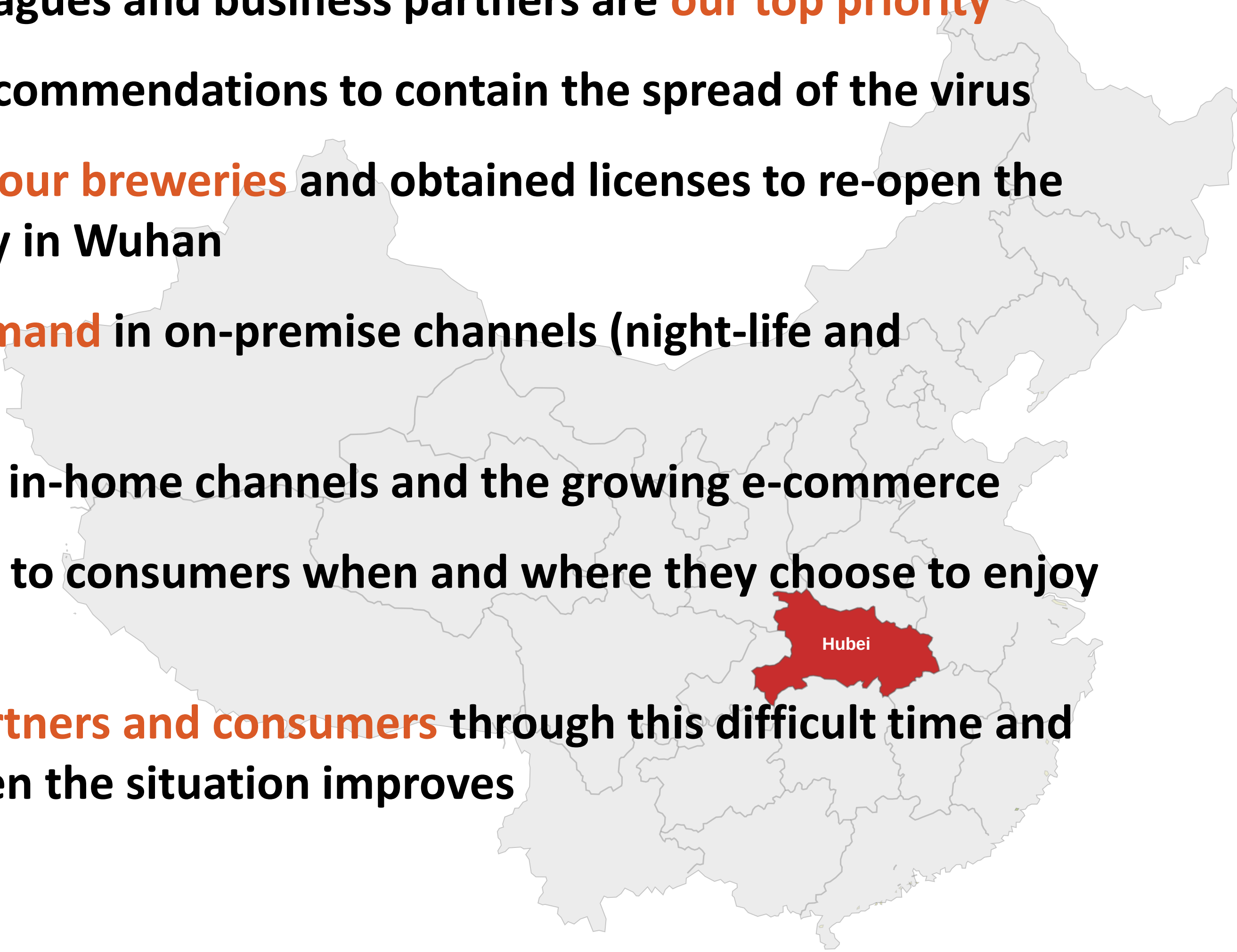
# UPDATE ON COVID-19

- The health and safety of our community, our colleagues and business partners are our top priority
- We support all the government's measures and recommendations to contain the spread of the virus
- As of today, we have re-opened more than half of our breweries and obtained licenses to re-open the remaining ones, with the exception of our brewery in Wuhan
- The outbreak has led to a significant decline in demand in on-premise channels (night-life and restaurants)
- We have reallocated resources, where possible, to in-home channels and the growing e-commerce
- We continue to brew and deliver high quality beer to consumers when and where they choose to enjoy our products safely
- We remain committed to support our business partners and consumers through this difficult time and fully engaged to prepare for a strong recovery when the situation improves

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# UPDATE ON NON-ALCOHOL BEVERAGES & DIRECT TO CONSUMER

# 2019 WAS A TRANSFORMATIONAL YEAR FOR OUR NON-ALCOHOL BUSINESS

## $3B REVENUE BUSINESS

**10%** of our Total Volume

**5.3%** 2019 Volume Growth

*Top 6 Markets*

Brazil
Honduras
El Salvador
Dom. Rep.
Argentina
Colombia

## PORTFOLIO OF OWNED & PARTNER BRANDS

Guaraná Antarctica – O Original do Brasil
Tônica Antarctica – Desde 1914
Coca-Cola
do bem™
Pepsi
Teavana®
hi★ball Energy

## STRATEGY FOR GROWTH: OPTIMIZE, GROW & DISRUPT

GROW & OPTIMIZE
LEGACY BUSINESS

DISRUPT AND INNOVATE
WITH HEALTH & WELLNESS

EXPAND
MALT BEVERAGES

# IMPROVING EXPERIENCE THROUGH DIRECT TO CONSUMER

- Our DTC platform enables **250 million consumer connections annually**
- Now a **$1B business**, growing revenue by double-digits
- **3,000 Modelorama redesigned stores in Mexico,** with a focus on personalized data-driven digital experience
- **E-commerce ventures** growing rapidly, such as Brazil **Zé Delivery** business that reached **1.5 million orders** in 2019
- **Omni channel ecosystem in Brazil** with over **1,700 Pit Stop stores** collaborating with Zé Delivery
- Unique consumer experience in **400 owned pubs**


# Better World FY19 Results

# 2025 Sustainability Goals

## Smart Agriculture

100% of our direct farmers are skilled, connected and financially empowered

## Water Stewardship

100% of our communities in high stress areas have measurably improved water availability & quality

## Circular Packaging

100% of our products will be in packaging that is returnable or made from majority recycled content

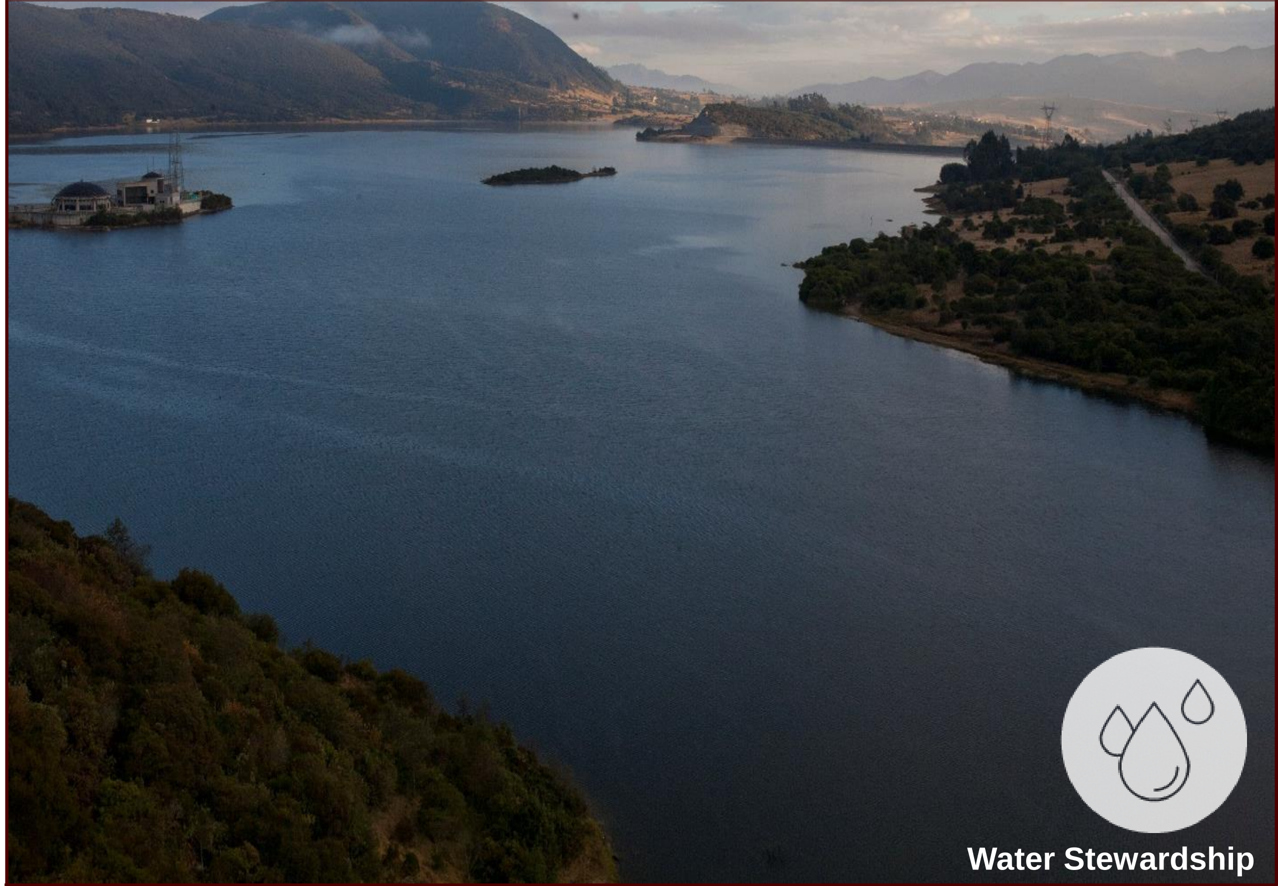
## Climate Action

100% of our purchased electricity comes from renewable sources & 25% reduction of carbon emissions across our value chain

We work with over 20,000 farmers in 13 countries, providing training, information and resources, to create resilient supply chains


*Through our 100+ Accelerator we partnered with BanQu, a blockchain technology platform, to help provide digital financial identities to farmers across* ***Uganda, Tanzania and India***

We are investing in impactful, long-term solutions to protect watersheds in 24 high-risk communities around the world




*Our partnerships with* ***WWF and TNC*** *support conservation and reforestation projects, habitat restoration efforts, and improved water infrastructure*

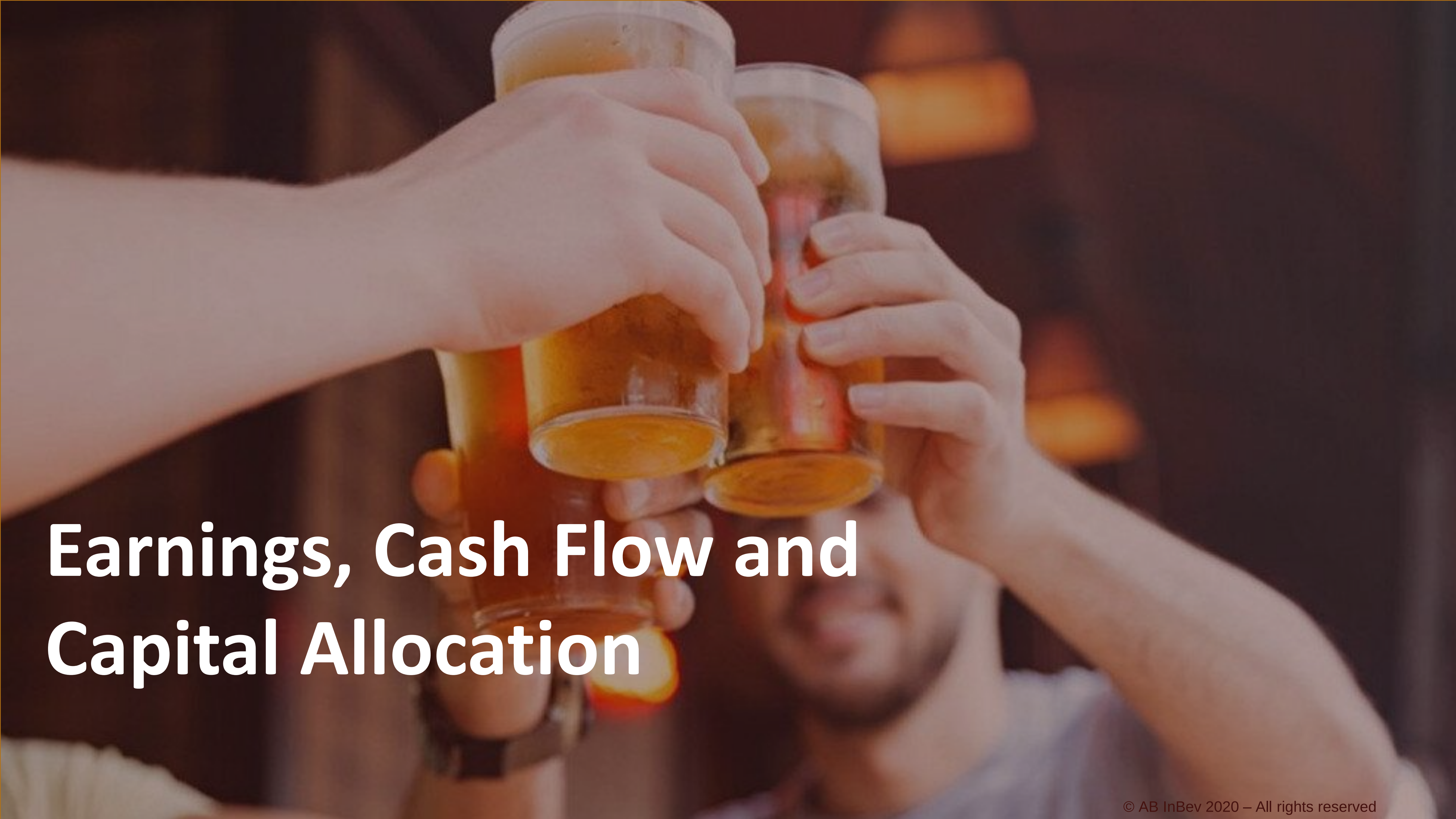
Over 40% of our volume is in returnable packaging, and we have achieved 42.3% recycled content in our one-way glass bottles


*We have hosted summits with our key suppliers and partners to **foster collaboration and accelerate solutions across our supply chain***

61% of our global purchased electricity volume is under contract from renewable sources, and we've reduced our operational carbon footprint by 19% in intensity*

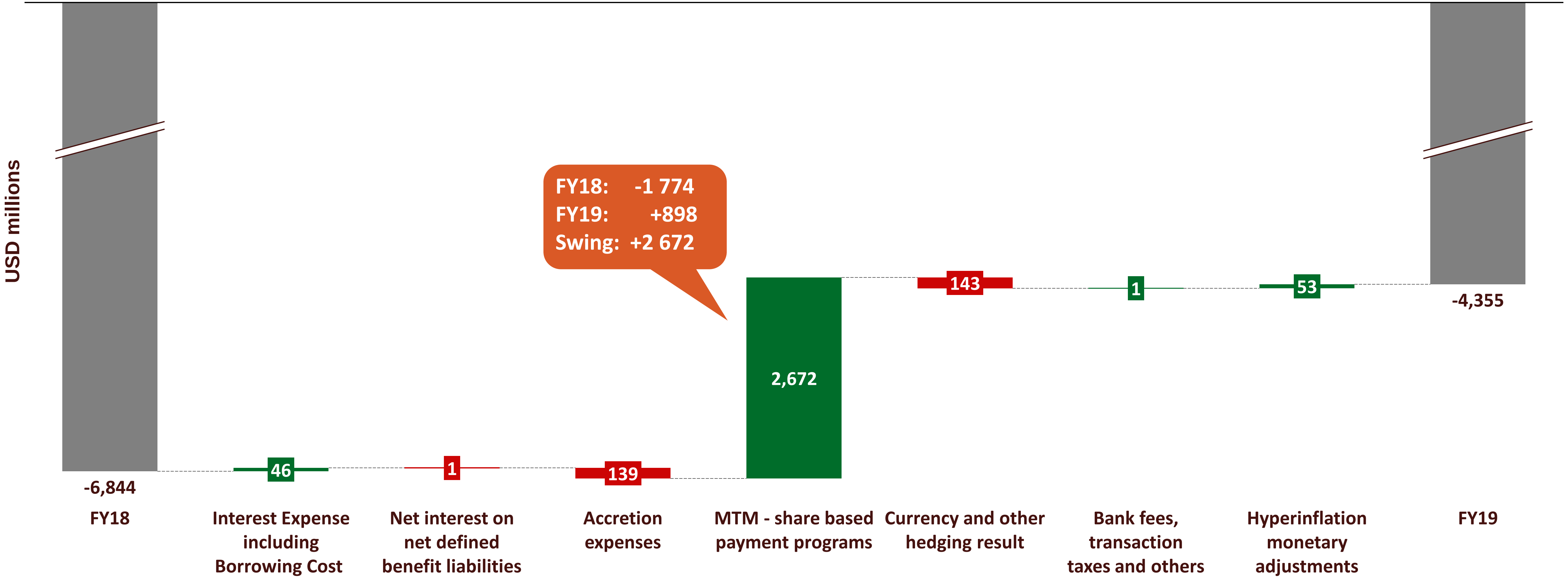

*We signed new renewable electricity contracts in **Brazil, Colombia, Dominican Republic, South Africa, Vietnam and the UK** in 2019*

** Against 2017 baseline in line with 1.5°C pathway*



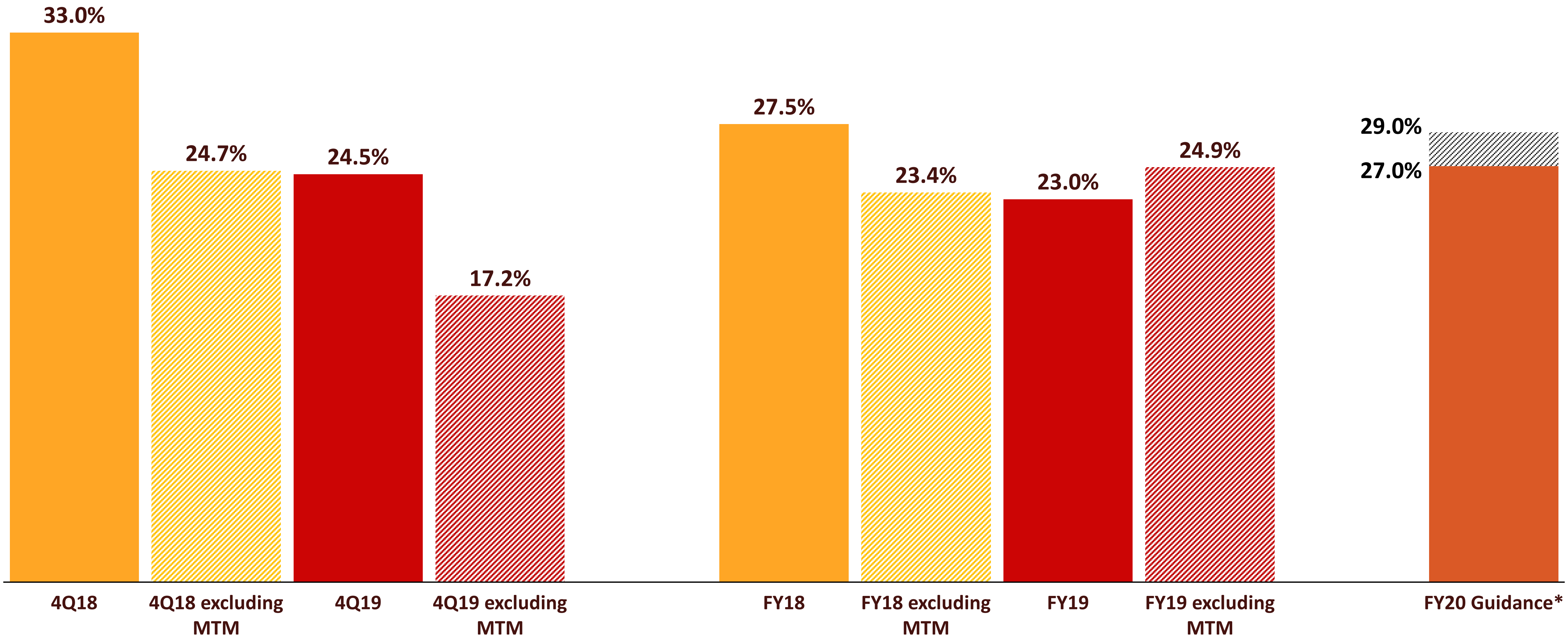
# Earnings, Cash Flow and Capital Allocation

# DECREASE IN NET FINANCE COSTS DRIVEN PRIMARILY BY THE SWING IN MTM OF THE SHARE-BASED PAYMENT PROGRAMS



# NORMALIZED EFFECTIVE TAX RATE (ETR)




*Reflects our normalized ETR guidance, excluding any gains and losses relating to the hedging of our share-based payment programs

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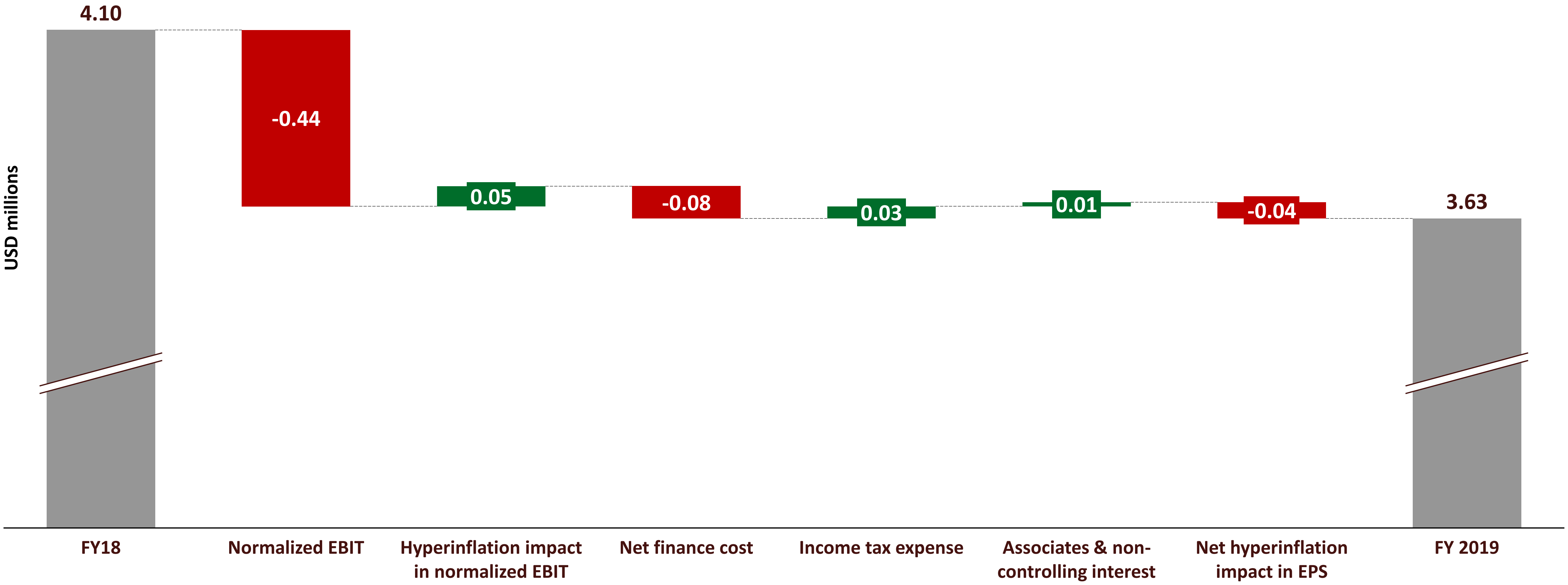
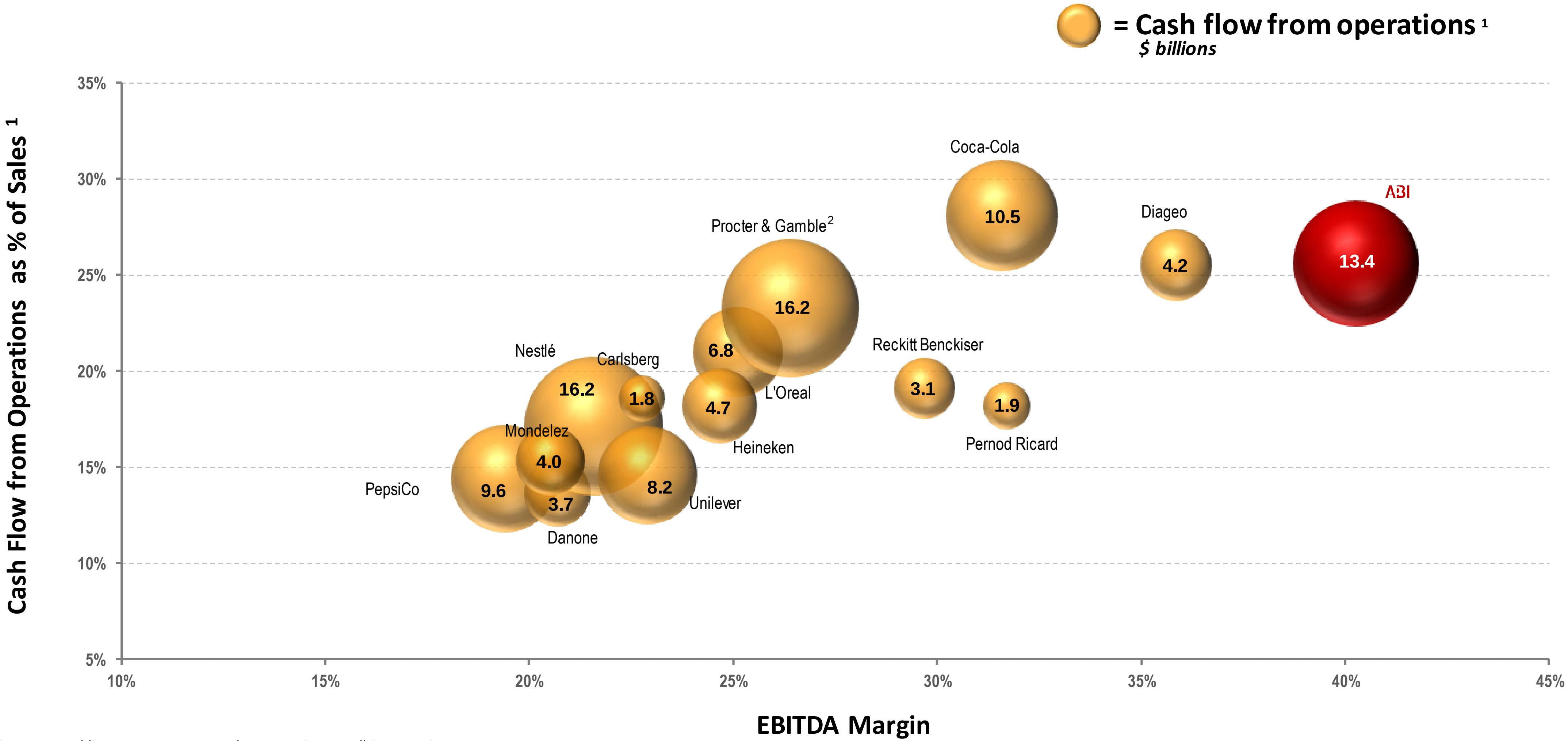
# UNDERLYING EPS DECREASED FROM $4.10 TO $3.63 IN FY19




Notes:
(1) Underlying EPS refers to Normalized EPS excluding the impact of mark-to-market related to our share-based programs and hyperinflation adjustment in Argentina
(2) FY19 and FY18 calculated based upon weighted average number of shares of 1 984 and 1 975 million, respectively

# MARGIN & CASH GENERATION WELL AHEAD OF MOST OF OUR PEERS



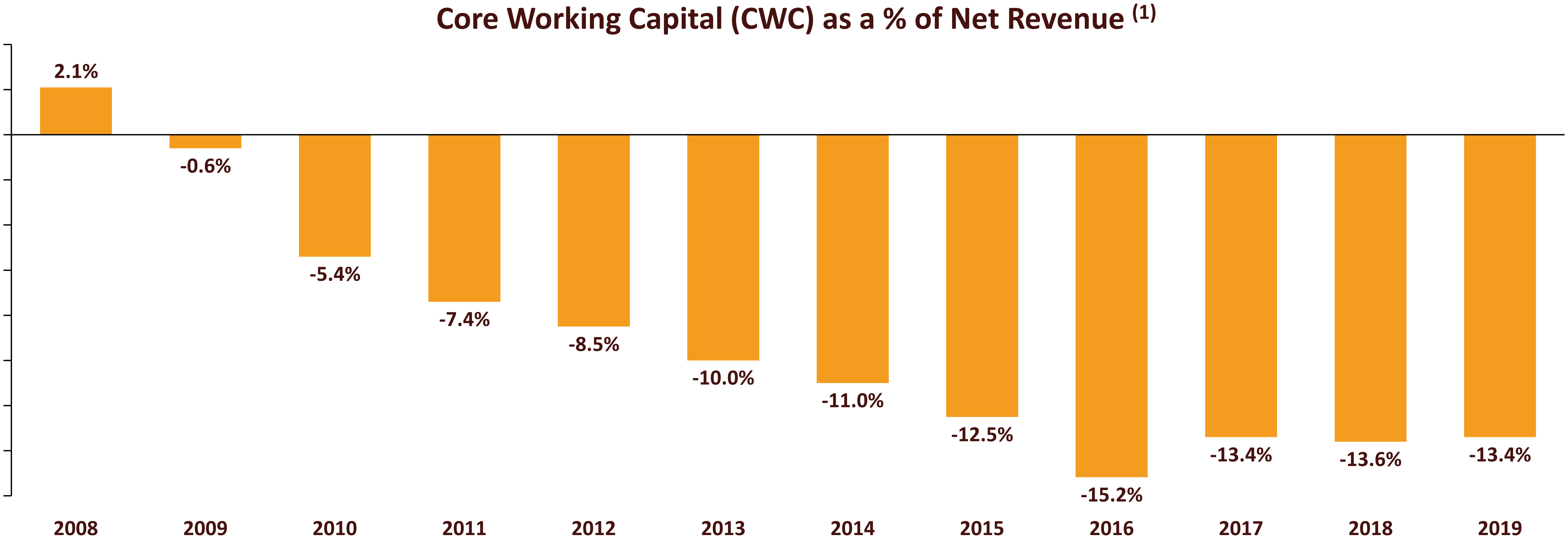

Source: *Public company reports and presentations, Wall Street estimates.*

Note: Based on fiscal year ending December 31, 2019, except for Reckitt Benckiser, Diageo, Pernod Ricard, and Procter & Gamble. Reckitt Benckiser, which reports their full-year 2019 results on 2/27/2020, is based on LTM figures as of their July interim report; Diageo, Pernod Ricard, and Procter & Gamble, which have June 30 fiscal years, are based on LTM figures as of their December interim report; figures not adjusted for acquisitions / disposals or differences in accounting standards.

1 Figures calculated based on publicly available information relating to cash flow from operations line item per cash flow statement. Converted to USD at 2/26/2020 spot rates (EUR:USD at 1.087, CHF:USD at 1.023, GBP:USD at 1.292, and DKK:USD at 0.145).

2 Fiscal Year 2019 adjusted for $8.3bn impairment charges in related to Goodwill and indefinite lived intangibles.

# CORE WORKING CAPITAL % OF NET REVENUE IN LINE WITH PRIOR YEAR, DESPITE COUNTRY MIX HEADWINDS




1) Yearly average (on a rolling 12 month basis). CWC includes elements considered "core" to the operations. For example, core receivables would include items such as trade receivables, other receivables (i.e. marketing prepayments), cash guarantees, loans to customers, non-income tax receivables, packaging deposits, and excludes derivatives, payroll-related receivables, deferred consideration on sales of assets, dividend receivables, interest receivables. Core payables includes items such as trade and other payables, non-income tax payables, packaging deposits, and cash guarantees but excludes derivatives, payroll-related payables, deferred consideration on acquisition, dividend payables, interest payable. There is no change to the calculation of Inventories, we include the same amounts for CWC as for Working Capital (as defined in our Financial Statements).

2) 2008 NA includes only 6 weeks of the legacy AB business. Results prior to 2013 exclude Grupo Modelo. Results prior to 2017 exclude SAB. 2019 results exclude Australia.

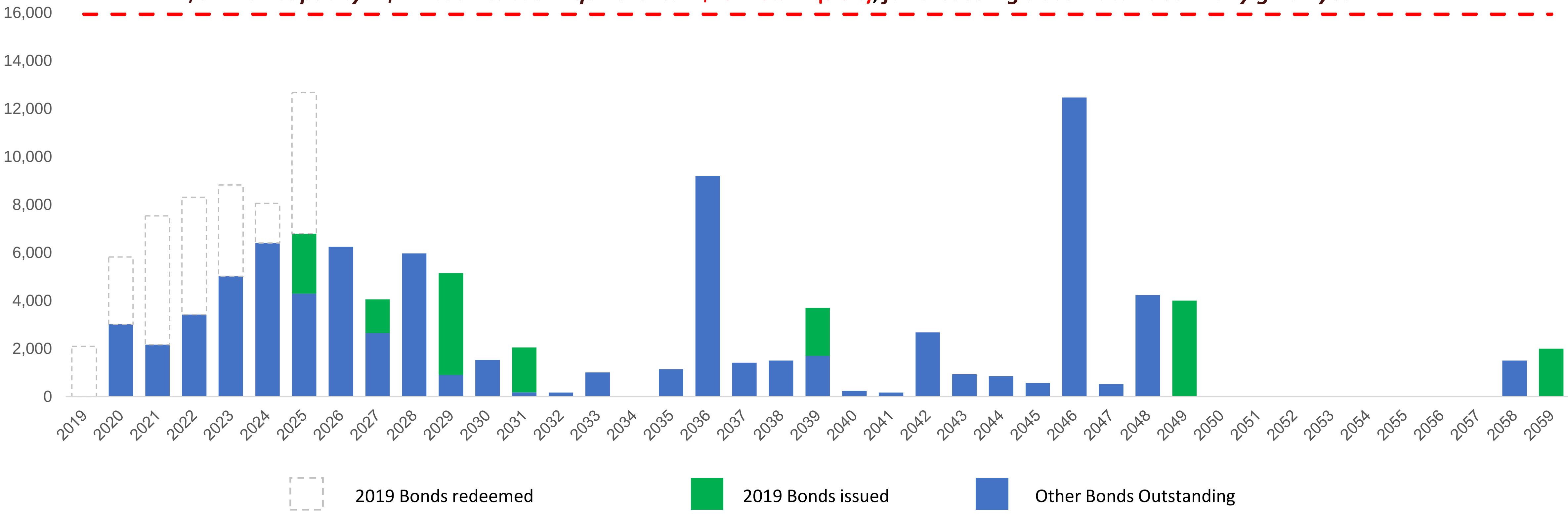


# WE HAVE PROACTIVELY MANAGED OUR DEBT PROFILE, EXTENDING MATURITIES AND MITIGATING NEAR TERM REFINANCING PRESSURE

## AB InBev Bond Maturity Profile

*$9B RCF Capacity + $7B Cash & Cash Equivalents* = **$16B Total Liquidity**, *far exceeding debt maturities in any given year*

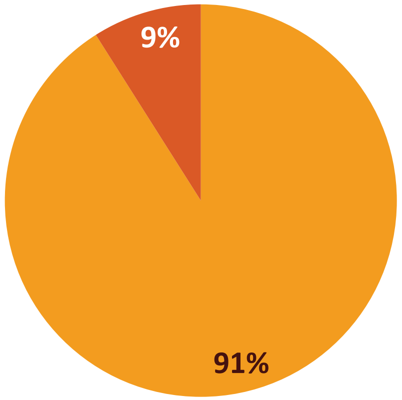



Proceeds expected to be received from the divestment of our Australian operations will be applied to incremental bond redemptions and a further extension of the weighted average tenor *(not reflected in the above graph)*

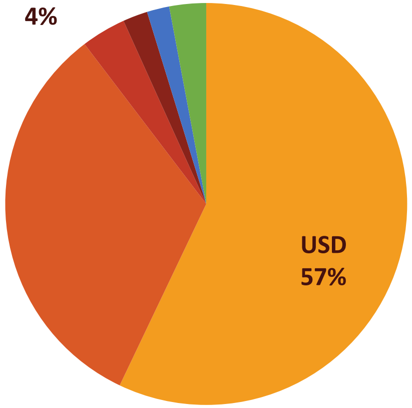
*Note: Represents bond portfolio only and values all bonds at par as of 31 December, 2019.*

# OUR DEBT PROFILE REMAINS PROTECTED AGAINST INTEREST RATE AND CURRENCY RISK, WITH LONG WEIGHTED AVERAGE MATURITY

## ~91% OF OUR DEBT IS FIXED RATE




## DIVERSE CURRENCY MIX OF DEBT REDUCES RISK




## ADDRESSED NEAR TERM MATURITIES TO REDUCE REFINANCING PRESSURE

**~14 years**

*weighted average maturity*

## PRE-TAX GROSS DEBT COUPON

**~4.0%**

*As of December 2019

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# CAPITAL ALLOCATION PRIORITIES

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

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

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# Q&A