

AB INBEV'S INVESTOR SEMINAR 2018

JOHANNESBURG, SOUTH AFRICA

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ZONE PREDISSENT – RICARDO TADEU

SLIDE 1

Good morning everyone! It's a great pleasure to welcome you to the Headquarters of our Africa Zone!

We decided to have the seminar here, so you could all experience our working environment and feel the vibe of the building, and the energy of our team.

Thank you very much for being here.

We will make sure that your Africa experience will be a very exciting one!

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Before I start, I will just quickly introduce myself.

I'm Ricardo Tadeu, you can call me Ricardo.

I was born in Rio, in 1976, and joined the company in 1995.

In the last 10 years, I've had the opportunity to lead the commercial area in Brazil, be the Mexico Zone President and, since the combination, I've had the immense privilege of leading our Africa Zone.

And one of the things that makes me really proud is that, in this same 10 year period, these businesses achieved a combined 26 Million Hl of organic Beer volume growth...

17.5 Million in Brazil,
6.5 Million in Mexico and
2.3 Million in my first year in Africa.

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The agenda we planned for this presentation covers an introduction to the Africa zone, our importance to the global company and our Zone Dream.

I'm also going to talk about how we apply the Country Clusters framework in Africa and how this model helps us define our different strategies for growth.

After that, I will cover the value that we created here in the Zone so far.

Finally, I would like to share our purpose of being a force for good in Africa, and what we are doing to make it happen in a very relevant way.

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So, let's start with an introduction to our zone.

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The Africa zone is divided into 4 different Business Units, or BUs.

The South BU is composed of South Africa, Lesotho and Swaziland and is the most relevant in terms of volume and EBITDA.

It represents 56% of our total volume and is run by Marcel Regis.

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The Southern BU is comprised of Mozambique, Zambia, Botswana and Namibia.

It is a very diverse and high growth BU.

It represents 14% of our volume and it is headed by Pedro Cruz.

SLIDE 7

The East Africa BU has Tanzania and Uganda as our main businesses, as well as some export operations.

It's led by Roberto Jarrin, and it represents 14% of our volume.

SLIDE 8

The West Africa BU is led by Annabelle Degroot and is formed by Nigeria and Ghana.

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In addition to the BU heads, we have a very experienced and diverse management team in our zone.

Andrea Quaye is leading our Marketing,
Trevor Sanderson, Supply,
David Hauxwell, Procurement & Sustainability
and Joao Dahne, Logistics.

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Lucia Swartz takes very good care of our People,
Doreen Kosi leads Corporate Affairs,
Andrew Murray, Finance
and Lee Dawson is responsible for Solutions.

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My 12 direct reports have extensive experience, with an average of 12 years in the beer business, 8 were already based in Africa and 4 came from other regions.

We have 6 different nationalities and 33% female representation.

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Most of the people I know are very curious about Africa and very excited about the opportunities we have here.

If we just take a look at some of the main macro and demographic trends, we can see that this is a very special place to be.

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The first element is Africa's population growth.

In the next years, Africa will represent 50% of the World's population growth.

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And we expect the LDA (18-24) population to grow by 29% in the next 10 years.

When we focus on the Beer business, we can see that there are many non-mature markets, with high population and very low Beer per capita consumption.

In most of these markets, alcohol is already consumed, but beer penetration is still very low.

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Urbanization is also going to play a part in increasing market maturity.

In 10 years' time we expect 47% of the population to be living in urbanized areas.

This will make it easier for alcohol consumers to trade up from informal products to clear beer.

SLIDE16

Another element is the expected economic growth of African countries.

In the next 10 years, GDP and GDP per capita, despite the ups and downs that are typical of developing economies, are expected to grow.

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When we consider all these trends together, our Africa Zone weight in total AB InBev will increase by 4p.p. in a purely organic way, and we will represent at least 20% of AB InBev's total volume growth.

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It's important to highlight is that we can generate value as we grow.

Despite our focus on Affordability, growth comes from every segment.

Most of our volume is in returnable bottles which makes a big difference and the profitability per hl in Africa is similar to AB InBev's global average.

So, we are not just scaling up a base to drive worth in the future.

We are growing volume in a profitable way now.

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Before moving on, I would like to share our Zone dream with you.

As you know, having an exciting Dream is our number one principle.

The dream that unites our company is Bringing People Together for a Better World.

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At the Zone level, we expect to contribute to the global dream by being an ideal business here in Africa...

A company that grows a lot, is super-efficient, everybody loves to work for, and that makes a positive difference in our communities.

Our dream has a very strong concept, as we work to become a reference to other organizations on the Continent.

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But it's also measured against hard KPIs, such as top line growth, EBITDA margin, internal engagement levels and our reputation and employer branding scores.

We all know the importance of our Zone as part of the global growth footprint, but we truly believe that we have much more to offer than only volumes.

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We are already bringing many new best practices to the global company, like developing affordable, great quality beers for our consumers.

We bring a very talented and diverse pool of People, with high levels of creativity, resilience, a natural owner mentality and a huge appetite for growth.

And on top of all that, we want to demonstrate that a company of our size can have an immense positive impact on society, leading our efforts for a better world.

Now that you're much more familiar with our Zone and our aspirations and dreams, let's talk about how we expect to grow in our different markets.

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So, yesterday we presented the Country Clusters Framework and how every country in the world is classified according to its level of market maturity and our market share.

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From the six different classifications, four of them are represented in our Zone.

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South Africa, Lesotho, Swaziland and Botswana are L2 countries...

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In these countries we expect, on average, moderate growth due to their relatively high per capita consumption and also high market share.

Growth will come through the consistent application of our Category Expansion Framework.

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Mozambique, Zambia, Tanzania, Uganda and Ghana are all L1.

SLIDE 28

On average they are expected to grow, at a higher pace, since we will increase the accessibility of beer in these markets.

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Nigeria and Namibia are C1 and C2 markets.

SLIDE 30

In both countries we expect more accelerated growth due to the combination of market share and category expansion opportunities.

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Now, I will start to give some color on the sources of growth in each country cluster.

First, I will introduce the category expansion plan in South Africa.

We are extremely excited by South Africa's growth prospects and you will understand why, after seeing the opportunities in this market.

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As part of the L2 cluster, South Africa is a relatively well-developed market, but with some clear opportunities for expansion.

By October 16, after the sale of Miller, Grolsch and Peroni, our portfolio became restricted to core and core plus.

This is a segment where we have a high market share but that has seen a small decline since 2015.

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Despite the volume concentration in Core and Core Plus, we have been making some important inroads into the Flavored Beer segment over the past few years, especially with the very successful Flying Fish.

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We've also found success in the Specialties segment with the well-established Castle Milk Stout.

These are great examples of market development, but we still have a lot to do in these segments. And another segment we haven't developed enough yet is affordable.

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We believe we can utilize Lion Lager to attract consumers from cheap wines and spirits, opaque beer and informal alcohol which, together, amount to an estimated 5 Mio hl per year in South Africa.

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But clearly, the greatest growth opportunities are in the High End Company, where we were almost reduced to zero participation by the end of 2016.

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This segment has been a big driver of growth for our company all over the world, through our Global brands Budweiser, Stella Artois and Corona...and it won't be different here in South Africa.

Therefore, as we analyze our category expansion framework, we can see that bringing innovation to the market and developing brands is going to be a key part of our strategy.

But besides having more brands and reaching different types of consumers, we also understand the need to keep developing our Core and Core plus brands, which represent the big majority of our volume.

SLIDE 38

We expect Castle Lite, our Easy Drinking Lager, to continue driving growth by attracting new consumers to the category, especially women, and by addressing the low presence of beer in people's homes.

Here, only about 15% of residences have beer in the fridge which is a much smaller number than other L2 countries.

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We position Castle Lite as a brand that represents the evolution of Beer, as it perfectly balances flavor, refreshment, coolness, moderation and is attractive to both genders.

The most amazing pack innovations will always come via Castle Lite.

The latest example is our unique 910ml returnable, re-sealable pack – which was launched in June and is doing extremely well.

SLIDE 40

In the Classic Lager segment, we plan to modernize the positioning of both Carling Black Label and Castle Lager to make these brands even more relevant than they already are, as they are the number 1 and 2 brands in the country, in terms of volume.

We will do that by creating more meaningful purposes for these brands, taking advantage of their main strengths, and being very bold in our communication to consumers, and to society as a whole.

I will just give two quick examples, as Andrea will go into more detail later on.

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First let's talk about Castle Lager.

Castle Lager represents the spirit of South Africa.

It sponsors our Rugby team, our Soccer team, our Cricket team...It's the only Classic Lager brand that is 100% South African. It was developed here, decades ago, by our founder, Charles Glass.

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And it's made with 100% South African, home grown ingredients.

I'm not exaggerating: Our hops come from George, our Barley Malt from Caledon, our Glass from Germiston, and so on...

Castle Lager believes in South Africa and this is not just a saying, this is a fact.

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We believe in the Rainbow Nation, and Castle Lager's purpose is to unify the country and make sure that every South African keeps believing, too.

Even in the toughest moments.

The brand will stand for what it believes and will always be the beer that represents hope and friendship in South Africa.

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Now I'd like to talk about Carling Black Label.

This is a very powerful and solid brand, which has been built to represent the positive masculine energy that's naturally associated with beer drinking.

Black Label has grown to become the number 1 brand in South Africa by claiming that Champion Men deserve Champion Beer.

SLIDE 45

We definitely have a very strong base, but we are aware that the concept of a Champion Man is constantly evolving.

Society is developing and Carling Black Label's purpose must develop with it.

Being a man can't only be about being physically strong and being the bread winner.

The Champion Man of tomorrow is also mentally and emotionally strong, fights for what's right and understands that for our society to evolve, women have to be a partner.

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That's why Carling Black Label launched the No Excuse movement.

This movement has the single objective of eliminating gender based violence, which is a very serious issue in this country.

We can't accept the current state of things and Carling Black Label, as the brand who defines what being a Champion Man is, won't accept it either.

These are just two examples of how our Classic Lagers can still have deeply meaningful conversations and strong relevance in the category, despite the growth and development of other Beer segments.

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But our efforts to reignite the core are not only related to starting more meaningful conversations with consumers.

We will also develop our core brands, by granting them access to new consumers and occasions through innovation.

The 1 liter bottle is a great example of pack innovation designed to enhance the core and protect it from the advance of Affordable propositions.

The 1l bottle was launched less than a year ago and it went national in March this year.

We are making sure it's present in all channels and we're testing the best price point to consumers to optimize the growth of the category.

We are positive that, once we make it more relevant in all channels and fine tune the right price point, it will be a great tool to expand the category in the years to come, as happened in Brazil and in Mexico.

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The category expansion framework allowed us to really expand our price ladder, by being able to reach different consumer needs with very different offerings.

If we think for a moment of an average Tavern, in October 16, this is what our consumer would see in terms of bulk product offerings and their pricing.

We had Lion at R12,
Hansa and Castle Lager at R13,
Black Label at R14 and
Castle Lite and Milk Stout at R15.

This was our returnable portfolio and it represented the greatest part of our total volume. A consumer that goes to a Tavern today will see a much broader price ladder.

It starts with Lion at R10 and ends with Castle Lite 910ml at R20.

We added the new 1L packs for Castle Lager and Black Label, which are both priced equivalent to the 2016 price of their 750ml packs.

And we recently launched Becks at R17 and Budweiser at R18.

Pay attention that our Premium and Core Plus offerings are 660ml and our Core and Affordable brands are 750ml.

As we can see, we've been analyzing our product offerings, our strengths and our weaknesses, to design a strong portfolio to ensure growth in the years to come.

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By the way, 2017 was a very positive year for South Africa, with volume, revenue and strong EBITDA growth.

2018 has been a tougher year in terms of volume, as we priced earlier as a result of a 10% excise tax increase and also saw a negative impact in the economy after the VAT and Petrol price increases that happened earlier this year.

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We expect to see an improvement in volume performance in the second half, as we start cycling last year's price increase and we reviewed some of our recent price movements.

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In terms of market share, we see pressure in the short term, as the Core segment is being affected by our pricing and by a slower economy.

The practical effect is that, despite our penetration being stable, our lower income consumers are reducing frequency of consumption.

Meanwhile, our more affluent consumers are trading up to the Premium segment, where we're considerably under-indexed at the moment.

We are positive that this trend will stabilize as the state of the economy improves and we recover frequency in the core segment.

And, at the same time, we will gain relevant share in the Premium segment with our global brands.

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In summary, we're very excited about the portfolio we're developing and the benefits and options we're bringing to consumers.

We're confident that we're very well-prepared to leverage the opportunities of the South African market.

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Now, I will briefly cover our strategy in L1 markets.

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If we want to simplify things and pick only one word to drive growth in these markets, that word is Accessibility.

In our dictionary, accessibility means making great quality, cold beer, available to consumers at an affordable price, yet with healthy margins. That's it.

One word that explains our main focus in L1 markets. And to make it happen, we have to go step by step.

The first is to use the deep understanding of local consumers to develop great, highly aspirational brands, in all segments.

SLIDE 55

But in L1 countries, it's not only about creating desire.

Making our beers affordable is a key element if we want to trade up consumers from informal alcohol into beer. We do that by developing specific brands and packs for each market.

Having an affordable brand, like Eagle or Impala, and using local raw materials to create regular demand for local farmers has proven to be an excellent way of developing L1 markets. This also shifts consumption from informal alcohol to clear beer and increases revenue for authorities.

A lower excise rate allows these brands to be more affordable and, therefore, more accessible to consumers, especially those who live in rural areas.

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In spite of that success, accessibility is not only about having an affordable brand strategy.

We can't alienate consumers from our most aspirational brands. We must ensure that Core brands, brands like 2M and Kilimanjaro remain affordable to consumers.

Having more than one pack in our main consumption occasion is crucial to make sure that we can drive up profitability in one pack but also provide a good deal to our consumers in the other pack, at the same time.

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The final ingredient of driving profitable growth through affordability is our ability to work with lean structures.

In Africa, having low fixed costs is essential to keeping accessible price points.

We believe that, given our focus on Cost-Connect-Win, we are extremely well-positioned to grow on this continent.

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Now let's move on to the other elements of Accessibility. Increasing our reach and Availability has been an obsession for us.

We have hired hundreds of Local Sales Representatives for the last 18 months.

We have also been implementing, at record speed, our Distributor Management System. The DMS makes sure we can organize the work of our distributors, and have visibility of our product after it leaves the warehouse.

We're also rolling out our global contact strategy platform through the implementation of Salesforce.com to standardize the way our sales team reaches our POCs.

This technology will make our businesses more professional and generate valuable commercial information to our leaders.

This is a great advantage of our model, which is to allow our teams to focus on what they must: the opening of new accounts instead of the development of sales systems.

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The last element of our Accessibility strategy for L1 Countries is the deployment of coolers. We want our great beers to be enjoyed in the best possible way, and we need to make sure that they're at the right temperature.

We have implemented thousands of coolers since the beginning of 2017. Unfortunately, in some regions, lack of electricity is a major issue for the local population.

Many people, including tavern owners and their families, suffer from the lack of access to electricity. That's why we've been pioneering in installing solar panels in order to generate the energy that the coolers will use.

SLIDE 60

We've started by installing 250 solar panels just this year and plan to ramp it up to at least 1000 panels next year...

Before moving on to the next cluster, I would like to emphasize two things:

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First, I'd like to point out that even in L1 countries, we see Premiumization as a great opportunity. In these countries, the Premium market is still incipient and, in many cases, we have the best distribution, the execution capability and the opportunity to get there first.

This gives us confidence that we can develop the segment, already with our fair share, and keep moving our average prices up and reduce the pricing pressure in our core brands.

SLIDE 62

My second takeaway is our preference and belief in clear beer versus opaque beer as the main driver of our Affordability efforts in Africa.

Brands like Impala and Eagle are much more aspirational and profitable than any Opaque product can be, and they represent the real entrance to the beer category.

We intend to keep the opaque beer business in any market where it makes economic sense. But if that's not the case, we're prepared to focus on the development of clear beer.

The selling of our Chibuku business in Zambia and subsequent growth of our Clear Beer confirms that we are going in the right direction, according to our priorities.

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Now let's briefly talk about our C markets...Nigeria and Namibia.

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In these countries, besides developing the category the same way we do in the L1 markets, we also have the opportunity to gain more market share.

Naturally, these countries will see an even stronger commitment to brand development, distribution investment and keep our brands competitive at a lower scale.

These are markets where our global brands, especially Budweiser, have an incredibly important role to play.

We are inspired by China, where leadership in the Premium segment made us the number one player by profit.

Therefore, growing our Premium brand mix, which basically started at zero at the beginning of the year, will give us an amazing opportunity to improve our profitability, besides increasing volumes and scale.

SLIDE 65

Internally, we consider Nigeria a hidden jewel, as it is a market really poised for growth in the following years, due to its compelling demographics and the fact that we already see many tangible opportunities in every segment.

We feel very excited to be there and we believe that it can be an important driver of growth in the years to come. Annabelle will soon share more details about our great opportunities in Nigeria, as an example of a C1 country.

SLIDE 66

Now that we've covered our commercial strategy and explained the application of our Category Expansion Framework in our markets,

I would like to cover the value generated by the combination so far.

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As Brito has said, this was a unique combination, one that allowed us to unlock relevant intellectual synergies, as for example, the Category Expansion framework.

SLIDE 68

And the same mentality was applied to every aspect of the business, from determining the best processes in a brewery, to how to organize our Procurement area.

The mindset behind the integration was to really get the best of both worlds. Trevor will present later how the integration happened in the Supply environment, and how we are leveraging this pragmatic approach.

SLIDE 69

By applying this “Best of Both Worlds” principle, the team in Africa was able to grow our EBITDA more than 20% with a margin expansion of 5 p.p. and significant increase of cash conversion by 40 p.p. All this, while growing our revenue per hl in mid-single digits and beer volumes by more than 2.3 million hl.

We are very proud of everything that’s been achieved so far and we are even more excited about the opportunities ahead.

SLIDE 70

But all of that wouldn’t be so meaningful if we didn’t also have an opportunity to be an amazing force for good on this continent. Because nothing makes our team more engaged than making a concrete, positive difference in our communities.

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We plan to create this impact through three different priorities:

- the fight against harmful use of alcohol, the development of local agriculture, and the promotion of Entrepreneurship.

AB InBev’s global commitment to fight the harmful use of alcohol and to become a global leader in sustainability is demonstrated by our Smart Drinking and Global Sustainability Goals.

But, being in Africa, we feel like our responsibility is even bigger. We have already cascaded our global goals to the continent and have stretched ourselves to be one of the zones with the biggest impact.

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For example...

Until 2017, our portfolio for no- and low alcohol beers was basically non-existent, having only St. Louis...a local brand from Botswana at 3.5% ABV. In October of last year, we launched Castle Free, the first African no-alcohol beer.

We also launched Flying Fish Chill, a 3.5% version of our successful flavored beer. In addition to that, we launched new versions of our affordable brands, like Impala Maize, in Mozambique, at 3.5% ABV.

We want to inspire consumers to drink in a responsible way and to give them more options.

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Besides reviewing our portfolio, we've also partnered with other members of the industry to launch Aware, our South African institute for fighting harmful use of alcohol. Plus, we increased the budget of our programs by more than 200%.

We will join forces and strongly beef up our campaigns against under-age drinking, drinking and driving, and consumption during pregnancy. Every learning and practice developed in South Africa can be easily spread to other countries, to make sure their markets are developed the right way.

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Agriculture is another field where we can make a huge impact. We are dedicated to the increase of yields, farmer's profitability and also to lessen the impact on the environment of the farmers that supply our raw materials.

In South Africa, for example, we are increasing the total barley production by 25% this year. And we've seen similar progress in most of the countries.

SLIDE 75

Also speaking of making a positive impact, one of the greatest learnings we had was on developing Entrepreneurship. SAB had a great tradition in developing Entrepreneurs in South Africa.

And we have set ourselves a challenge of creating 10 000 jobs by 2022 and David Hauxwell is going to show where we are in our Entrepreneurship journey.

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With that, I conclude my introduction. I covered the application of our growth strategy, talked about the value that was created so far, and demonstrated how this new company can be an amazing driver of growth and development in Africa, as we focus not only on creating new markets but also on building communities.

Now let's move on with the agenda as Andrea will talk about our approach to the African Consumer and I will return for a Q&A shortly.

Thank you very much!