

### Anheuser-Busch InBev (NYSE: BUD)

Consumer Staples – Alcoholic Beverages

April 15, 2021

Stock Rating:

**HOLD**

#### Analysts

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#### Investment Thesis

We recommend a **HOLD** rating for Anheuser-Busch InBev due to a decreasing global market share and a mature balance sheet, while continuing to exhibit a trend-following strategy. The stock offers between a 1.9% and 10.7% upside to investors.

##### Drivers of Thesis:

- **Lossing market share:** We expect global volume sales to rebound by 5.7% in 2021. In 2022 and beyond, we project mature markets to have mostly negative volume sales growth, while we estimate emerging markets to have low-single-digit growth of 1.5%-4.0%. We project 50bps of global market share loss each year.
- **Mature balance sheet:** AB InBev's significant debt obligations lower the amount of cash flow available for product innovation. Each year we project that roughly 13% of all revenues will go towards debt repayment.
- **Trend followers:** AB relies on their brand name to stay relevant when following trends. We believe their trend following strategy will result in consistently low volume sales growth of roughly 1.62% globally after 2021.

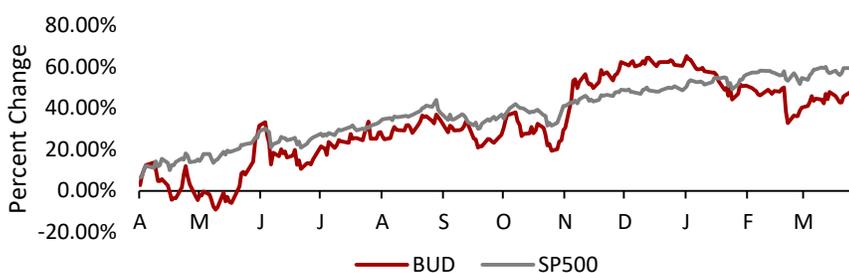
##### Risks to Thesis:

- **Lasting pandemic effects:** If consumers continue to feel unsafe with on premise consumption, the recovery from the pandemic-related decrease of 10% in revenue would be drawn out over several years, lowering 2021 revenue growth to 3.51%, versus our original prediction of 8.56% revenue growth.
- **Underestimating mature markets:** If mature markets end up experiencing positive volume sales growth over the estimated forecast period, versus our original prediction of negative growth, we would expect an implied share price of \$82.44 which would create an upside of 21.7%.

#### Earnings Estimates

Year	2018	2019	2020	2021E	2022E	2023E
EPS	\$2.21	\$4.62	\$(0.33)	\$3.07	\$3.30	\$3.55
Growth	-45.5%	109.0%	-107.0%	1033.3%	7.44%	7.66%

#### 12-Month Performance



#### Target Price: \$69 - \$75

DCF Model:	\$74.06
2021 Relative P/E:	\$72.27
2022 Relative P/E:	\$68.51

##### Price Data

Current Price:	\$67.73
52-Week Range:	\$37.93 - \$72.41

##### Key Statistics

Market Capitalization (B):	104.1
Shares Outstanding (M):	1,646
Avg 2, 3, 4 yr mthly beta:	1.60
Fwd Price/Earnings:	22.08
Price/Earnings (LTM):	(208.2)

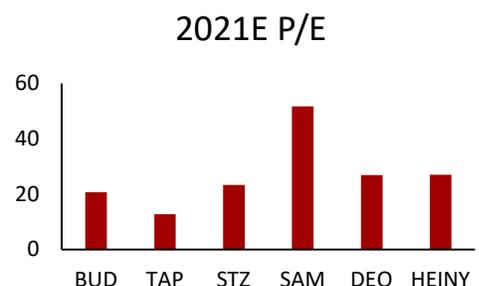
##### Financial Metrics

2020 Revenue	46,881
2021E Revenue	50,893
2020 Profit Margin	(1.39%)
2021E Profit Margin	15.15%

#### Company Description

Anheuser-Busch InBev (NYSE:BUD) is a multinational company in the alcoholic beverages industry headquartered in Leuven, Belgium. They currently have the largest market share of all alcoholic beverage companies in the world<sup>[1]</sup>. Their product lines include beer, non-beer, and non-alcoholic beverages, however they are best known for their beer brands, such as Budweiser, Bud Light, Michelob Ultra, and Busch Light.

#### Relative Performance



## Executive Summary

Anheuser-Busch InBev (NYSE: BUD) is a multinational brewing company that produces a diverse portfolio of beer, ready to drink alcoholic beverages, and non-alcoholic beverages. They operate in the brewing industry, whose products include beer, craft beer, and flavored malt beverages, including hard seltzers. We recommend a **hold** with a target price of \$69 to \$75, which represents an upside of 1.9% to 10.7% from their current share price of \$67.73, as of market close on April 15, 2021.

We believe Anheuser-Busch InBev is a mature company who has already reached their peak. They follow trends rather than creating them and rely heavily on their brand name to stay relevant. We project that, after a recovery from low 2020 sales, Anheuser-Busch will experience sluggish growth in the future, due to their inability to innovate. We will refer to Anheuser-Busch InBev as “AB,” “AB InBev,” “BUD” or “Anheuser-Busch” from this point forward.

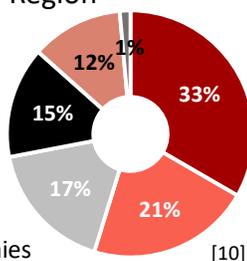
## Company Analysis

### Company Description

Anheuser-Busch InBev is a multinational company in the alcoholic beverages industry headquartered in Leuven, Belgium. They currently have the largest market share of all alcoholic beverage companies in the world<sup>[1]</sup>. Their product lines include beer, non-beer, and non-alcoholic beverages, however they are best known for their beer brands, such as Budweiser, Bud Light, Michelob Ultra, and Busch Light. They operate in the following segments: North America, Middle Americas, South America, EMEA (Europe, Middle East, and Africa), Asia Pacific, and Global Export and Holding Companies, whose revenue percentages are broken down below. AB classifies emerging markets as Middle Americas, South America, and Asia Pacific. EMEA and North America are considered mature markets. We determined that the Global Export and Holding Companies segment could not be classified under mature or emerging.

FY2020 Revenue by Region

- North America
- Middle Americas
- South America
- EMEA
- Asia Pacific
- Global Export & Holding Companies



## Corporate Strategy

We believe AB has historically used their diverse portfolio to follow consumer trends as they arise. In mature markets, we believe as trends rise and fall in the alcoholic beverage industry, AB has and will consistently have products to mimic the trends. However, the sales of trending products will cannibalize the sales of non-trending products within AB’s portfolio, causing AB’s overall revenue to stagnate, and even have slight negative growth in mature markets.

Anheuser-Busch responds fast to consumer trends, while not necessarily innovating them. Their most recent strategic goals are focused towards premiumization, differentiation, and growth via adjacencies.

### 100-Day Idea-to-Market

AB exhibits a 100-day idea-to-market initiative, which allows for a fast response to consumer trends in the industry. Most recently, this has allowed them to achieve a presence in the hard seltzer market through six hard seltzer brands, despite not pioneering the seltzer trend. Moving forward, this initiative will allow AB to react to any new trends that are created. We do not believe this strategy will make their volume grow drastically because they are following the trend instead of creating it, but it will keep them stable, maintaining a roughly 1.3% volume sales growth rate beyond 2022. In mature markets, their upkeep with consumer desires in the seltzer industry will help to minimize their volume sales losses due to consumers moving away from traditional beer<sup>[1]</sup>, which comprises a majority of their brand portfolio. We are projecting their volume sales will decline in mature markets by roughly 0.5% each year beyond 2022, however without their seltzer development, we project AB would have been losing around 2.5% of volume sales in mature markets every year.

### Growth via Adjacencies

Anheuser-Busch’s cash flows are being allocated to debt repayments, thus leaving less capital for them to create new products from scratch. Therefore, they have recently relied on building off their existing brands in an attempt to achieve organic growth. In mature markets, AB has used the strong recognition of their existing brands to create new hard seltzers with the same brand names. For example, they have capitalized on the brand names of Bud Light, Michelob ULTRA, and Natural Light beers, introducing seltzers under the same name. Outside mature markets, they have expanded their

existing brands into new geographies, specifically emerging markets. To compensate for this, we have forecasted roughly 2.7% year over year volume sales growth in emerging markets, higher than the roughly negative 0.5% forecasted in mature markets.

### Premiumization

In response to consumers trending towards higher-end products<sup>[1]</sup>, AB has given more focus towards premium products within their portfolio of brands, such as their Michelob Ultra and Budweiser brands. In 2020, they have grown their premium brands volume production to 31.3% of their total beer volume, compared to 22.9% in 2016. Moving forward, we believe that AB will continue to emphasize brands with the highest demand. We don't believe that premiumization will have a significant impact on the overall growth of Anheuser-Busch's volume sales, because we believe their premium brands will cannibalize sub-premium brands.

### Research & Development

In 2020, Anheuser-Busch spent \$296 million on research and development<sup>[10]</sup>, which represented 0.63% of the 2020 sales and accounted for 1.9% of the total expenses in 2020. Research and development primarily focused on market research, product innovation, process efficiency, and product development<sup>[10]</sup>. In the future, we predict research and development will account for 0.55% of forecasted sales. We believe the majority of AB's research and development will be allocated to the company following new trends by diversifying their flavors and profiles under already existing brands and product lines, rather than creating new brands.

In the last couple years, market research has pointed towards the growing popularity of ready to drink (RTD) cocktails, seeing 574% year over year sales growth in 2019<sup>[11]</sup>. To accommodate for this, Anheuser-Busch's portfolio of RTD cocktails has grown over the last few years to include Ritas, Cutwater Spirits, Kombrewcha, and Social Club. In addition, AB has recently created eleven new non-alcoholic versions of existing beers to compensate for consumers looking to lower their alcohol consumption habits<sup>[10]</sup>. As either of these product lines trend upwards, we believe they will cannibalize existing products, not having a heavy impact on AB's overall revenue.

## Company Differentiation

We believe the primary way that Anheuser-Busch differentiates themselves from their competitors is by fostering a close relationship with consumers through memorable marketing and advertising. Each year, Anheuser-Busch creates several memorable Superbowl advertisements for their top beer brands, which viewers look forward to. In 2019, AB was the top-spender on advertising of all brewers in the US<sup>[12]</sup>, and in 2020, AB was the top-spender on Superbowl advertisements across all companies in the US<sup>[13]</sup>. We see these advertising efforts continuing in line with historical trends, and have forecasted that sales and marketing expenses will be 14.33% of revenue each year, which accounts for roughly 45% of AB's total selling, general, and administrative expenses. While we believe that AB's Superbowl advertisements may not directly cause an increase in sales, we find them to be worthwhile because they create a story for the consumer to enjoy. For example, the 2017 "Dilly Dilly" advertising campaign has created a fun slogan for consumers to reference when drinking Bud Light, and even created additional marketing materials when the phrase started to appear on t-shirts. We believe that creative marketing campaigns such as this will continue into AB's future, making continued sales and marketing expenses necessary.

In addition to creating fun, memorable advertising materials, AB InBev also strengthens their relationship with consumers through limited edition packs. For example, in 2019, AB released limited edition 56-packs of corn-themed Busch Light, referred to as "Buschels," in Iowa, and ten dollars of every pack sold was donated to Farm Rescue of Iowa<sup>[14]</sup>. The overall corn theme as well as the donation to a local Iowa charity allowed AB to connect with consumers in Iowa. More recently, Bud Light Seltzer released a limited edition "Out of Office" 12-pack, which was paired with a sweepstakes that encouraged Americans to use their vacation days<sup>[15]</sup>. These limited-edition packs are an efficient strategy implemented by Anheuser-Busch, as it gives consumers the illusion of a new product but requires low initial investment by AB because they are spinoffs of already existing products. We see AB InBev continuing to implement this strategy into the future, utilizing seasonal trends to strengthen their relationship with consumers and make the experience of drinking a product of Anheuser-Busch more enjoyable.

## **SWOT Analysis**

### **Strengths**

Anheuser-Busch's primary strength is their diverse portfolio of brands, which builds a foundation for an adaptable business model. The company's diverse portfolio encompasses a variety of brands and product lines that provide a RTD product for all consumers of alcohol regardless of taste preference. AB holds twelve beer brands, twenty-two craft beer brands, and eight non-beer drinks<sup>[10]</sup>. Their portfolio provides both premium and sub-premium brands, as well as flavor variations within each brand, which positions AB to be a very adaptable company. A diverse portfolio is especially important in such a highly substitutable industry, because having products of varying flavors and prices reduces the likelihood of a consumer substituting one of AB's brands for a competitors' brand.

AB's diverse portfolio also helps them follow trends in the alcoholic beverage space. They are able to reallocate their resources to one of their already-existing brands that happens to be trending, rather than having to create an entirely new product. Most recently AB has done this by entering the hard seltzer market through the already established outlet of the Bud Light brand name. Moving forward, this adaptable business model will allow AB to be in line with whatever trend comes next.

### **Weaknesses**

AB has attained sizable leverage over the years through large cap acquisitions, especially their 2017 merger with SABMiller, which was funded with \$16 billion worth of corporate bonds<sup>[20]</sup>. Although AB's management has been proactive in deleveraging their debt, the company still has a large amount of debt relative to their peers in the industry. The company's large size allows them to repay this debt, having an EBITDA 3.6 times larger than their interest expense<sup>[19]</sup>, however this results in a significant portion of their cash flows going towards debt repayment, rather than product innovation.

As a result of AB's lack of product innovation, they are trend followers, rather than trend creators. While their business model is adaptable enough to react to trends in the brewing industry, they are limited in their abilities to create them. Trend creation allows for elevated sales growth and market share retention compared to trend following, hence why we projected AB to experience only low-single-digit revenue growth after 2021.

Finally, although AB still holds the largest global market share in the brewing industry<sup>[1]</sup>, it has been decreasing

recently. In 2019, AB lost 50 bps of the global market share, and in 2020, they lost 55 bps<sup>[10]</sup>. We project that, due to sales growth in emerging markets not being able to compensate for sales loss in mature markets, AB will continue to lose roughly 50 bps of global market share each year in the future.

### **Opportunities**

Currently in the brewing industry, there are several opportunities for Anheuser-Busch to potentially capitalize on. This concept has been proven most recently through AB's entrance into the hard seltzer space, capitalizing on a market that experienced 193% growth in 2019<sup>[11]</sup>. We believe that, with the proper research and development allocation, the next trend AB would be able to move into is RTD cocktails. If Anheuser-Busch had the ability to dedicate more capital towards research and development, the company could potentially become a leader in innovating types of alcoholic beverages and begin to pioneer trends. This opportunity would allow them to act as the primary brand name recognized when considering new products or trends in the industry. Additionally, this would allow AB to take a majority share in their new drink innovation category, and defend it once following entrants come. However, as stated previously, payments on borrowings make up a large portion of AB's cash outflows—\$23.1 billion in 2020<sup>[10]</sup>—making them unable to immensely increase research and development costs, so we do not forecast them pioneering the next trend.

### **Threats**

Given the low barriers to entry into the brewing industry, AB's traditional lagers and ales are threatened by potential new microbrewery entrants, whose non-traditional flavors speak to recent consumer preferences. Since AB generates twice as much revenue as the next largest brewing company<sup>[19]</sup>, it is extremely unlikely that a new entrant will size up to AB. However, lager brands in AB's portfolio could lose significant volumes of sales in coming years as new microbreweries and come into play. We have forecasted that this will likely occur in mature markets.

A final threat to AB's success could be additional shutdowns and decreased consumer confidence due to the Coronavirus. In the brewing industry, 44% of all beer sales occur on premise in bars, restaurants, and events<sup>[1]</sup>, so when on premise locations are closed and these sales cannot occur, AB's overall revenue could be threatened. We project that bars, restaurants, and events will return to normal capacity by mid-2022. To account for this, we forecasted that global volume sales in 2022 would grow

at a rate of 2.57%, a higher growth rate than in recent years. We project it will return to steady, low-single-digit global volume sales growth by 2023.

## Industry Analysis

### Industry Description

The alcoholic beverage industry, composed of wine, spirits, hard cider, and beer, is a component of the Consumer Staples sector. Within this industry is a sub industry referred to as the brewing industry, which we will be analyzing. The key business segments within the brewing industry are beers, craft beers, and flavored malt beverages, which includes hard seltzers.

When bars and restaurants shut down as a result of the pandemic, on premise beer sales essentially ceased, which drastically decreased overall sales for companies in the industry. We predict that on premise sales for the industry will return to their pre-pandemic level by the end of June 2022, when consumers feel fully confident to return to bars and large events, such as concerts. As a result of recovered on premise sales, we predict that mid-2022 is when the industry will have fully returned to its pre-pandemic sales levels.

### Industry Trends

Within the brewing industry, it is imperative to stay up to date with rapidly changing consumer preferences. In recent years, the growing trends of hard seltzers and craft beers have forced traditional market leaders to adapt their brand portfolio to keep up with consumer demand. In addition, increased off premise alcohol consumption during the pandemic has driven a recent increase in alcohol purchased through eCommerce.

#### Hard Seltzers

Since 2018, hard seltzers have established themselves as a dominant product line in the US for large brewing companies. In the United States alone, the hard seltzer market has grown to over \$1 billion, as consumers are drawn to healthier alcoholic beverage options with fewer calories<sup>[1]</sup>. In 2021, we believe that the hard seltzer market will grow around 30%, as the market diversifies and creates new flavor profiles, such as hard seltzer lemonade and hard seltzer iced tea. We see growth rates slowly decreasing until 2023, after which growth will stabilize around 5% year over year. We believe that, moving forward, White Claw and Truly, the current top-selling brands, will continue to maintain roughly 60% of the market share, even as the size of the market

increases. We forecast Constellation Brands' and Anheuser-Busch's seltzer brands will hold roughly 35% of market share, because they were not innovators of the trend, but have done a good job following the trends. Finally, we project that Molson Coors' seltzers will account for the majority of the remaining 5% of the market share.

Predicted Hard Seltzer Market Share



### Craft Beer

Given the longstanding presence of traditional beer such as ales and lagers, consumers have recently sought new flavors and textures of beer in the form of craft beer, a beer brewed with 100% malted barley that is often brewed in microbreweries<sup>[1]</sup>. Craft beers are driving sales away from traditional beers, and as a result, multinational corporations such as Molson Coors and AB have recently acquired microbreweries to defend against losing significant sales. Going forward, we expect the craft beer industry to continue growing at a rate of 2.5% per year into the future. We also predict that acquisitions of these microbreweries will persist and may even become more common as the industry grows.

### eCommerce

Prior to the pandemic, eCommerce was traditionally used for online retail and to-go restaurant orders. eCommerce has now become more widely used in other industries, especially the alcoholic beverage industry. In February of 2021, Uber announced their acquisition of Drizly, an app-based alcohol delivery service<sup>[8]</sup>, which could potentially further drive the growth of eCommerce in this industry.

In 2020, online alcohol sales increased by 55% to \$1.5 billion<sup>[9]</sup>. We think that 2020 was a unique year for

eCommerce, and that online alcohol sales will decrease to \$1.3 billion in 2021. Beyond this, we project less than 5% growth of online alcohol sales each year. We do not foresee eCommerce sales being a large driver in overall sales, because these are not sales from new consumers, but rather existing consumers switching their purchasing method.

## **Porter's Five Forces**

### **Degree of Competition – high**

Given the plethora of brands in the industry, there is fierce competition between brewing companies. We believe that consumers show loyalty to brands, but do not show loyalty to parent companies, mainly because they do not know which brand belongs to which company. As a result, we believe that successful companies in the industry should offer a diverse portfolio of brands that cater to differing tastes, and ideally will offer several types of products, as well.

### **Bargaining Power of Buyers – moderate**

In the brewing industry, we believe buyers have moderate buying power. Depending on their desires, buyers have the option to buy high-end alcohol at an elevated price, or low-end alcohol for a less expensive price. As a result, we think that successful companies in this industry will ideally have a broad spectrum of quality in their products, so that customers will buy from them regardless of their desired price. This allows companies to have reliable sales, regardless of economic conditions and consumer preferences.

### **Bargaining Power of Supplier – low**

Inputs in the brewing industry consist of water, yeast, grains, malt, and packaging material such as cardboard, aluminum, or glass<sup>[1]</sup>. Given the wide availability of these products, suppliers have a low ability to bargain on the price of inputs with brewing companies. As a result, we believe that successful breweries are those that seek the lowest price of inputs. Notably, AB utilizes 105 suppliers<sup>[19]</sup>, giving them the power to negotiate for the best input prices.

### **Threat of Substitutes – high**

Between the six main publicly traded competitors in the brewing industry, there are several hundred brands of beer and hard seltzers competing against each other. As a result, there is a high threat of substitutes because consumers can choose from any of these brands. To try to compensate for the threat of substitutes, we believe

that successful candidates in the brewing industry will have a diverse portfolio of brands in order to minimize consumers substituting to different parent companies.

### **Threat of New Entrants – moderate**

In the last few years in the brewing industry, microbreweries have grown in popularity, as consumers desire the flavors associated with craft beers. Additionally, the capital required to start a microbrewery is relatively low, making the barriers for new entrants into the industry low. We believe microbreweries may find it easy to have local success, however, it is difficult for them to grow into nationally recognized brands, making their overall threat to multinational corporations moderate.

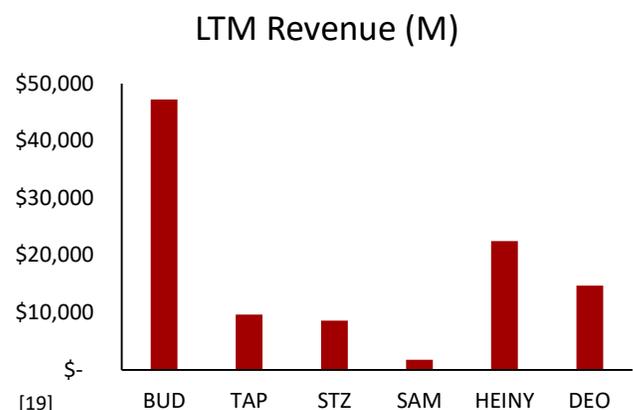
## **Competitive Analysis**

### **Overview of Competition**

Anheuser-Busch's main publicly traded competitors in the brewing industry are Molson Coors (TAP), Constellation Brands (STZ), Boston Beer Company (SAM), Heineken (HEINY), and Diageo (DEO). All these are brewing companies primarily producing beer, and many of them also own one or more hard seltzer brands.

### **Key Metrics**

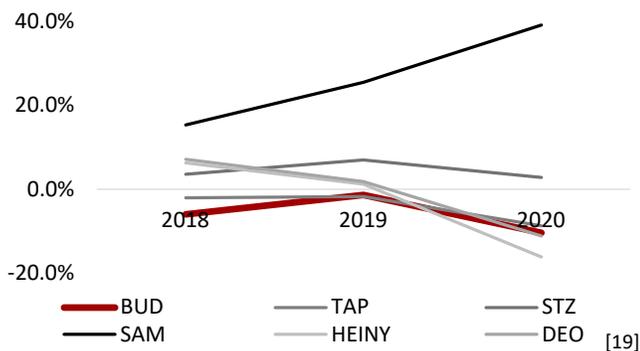
AB currently holds the largest market share globally due to inorganic, acquisitional growth over the last six years, and we see their market share gradually decreasing into the future. As shown below, AB's last twelve months (LTM) revenue is over twice as much as its next highest competitor.



Although AB has the largest revenue in the industry, it has been experiencing negative growth over the past three years. In 2018 and 2019, AB and Molson Coors were the only two companies of their peers to

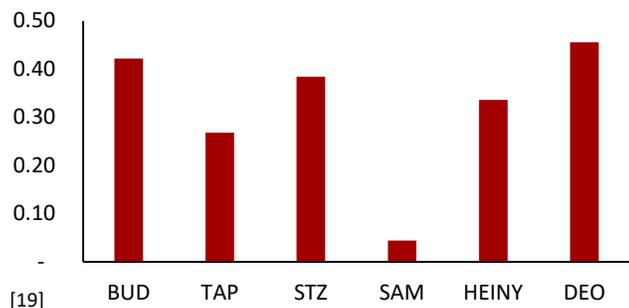
experience negative growth. Specifically, AB experienced the greatest loss in year over year sales in 2018, and the second greatest loss in 2019. Due to AB's sales growth in emerging markets compensating for losses in mature markets, we believe that AB will be able to maintain low single-digit volume sales growth globally moving forward. However, we believe that their peers, with the exception of Molson Coors, will grow at a higher rate.

### Year Over Year Growth



Aside from their negative sales growth, relative to their peers AB also holds a significant amount of long-term debt of \$95.5 billion, due to previous acquisitions. This amount of debt is feasible because AB is so large compared to their peers, and AB's management has been proactive about paying down debt in recent years. We project that AB continue to pay down debt by roughly \$3.9 billion dollars each year, starting in 2022. Closely following Diageo, Anheuser-Busch has the second highest long-term debt to total assets ratio in the industry, as shown below.

### 2020 LT Debt/Total Assets



Anheuser-Busch has positioned themselves as a giant in the brewing industry. Although their revenue is double their competitors', it has seen negative growth in recent years. Moving forward, we see AB being a slow growing, mature company, whose cash outflows will primarily go towards debt repayment instead of product innovation. Although their debt total asset ratio is the second highest

in the industry, we attribute this to AB having a mature, but well-managed balance sheet.

## Economic Analysis

The Coronavirus pandemic has created an unpredictable, rapidly changing economic environment worldwide. Although the sector is non-cyclical, the pandemic and the economic conditions it created still drastically affected companies within the Consumer Staples sector. Overall, the economic indicators that most impact the sector are the consumer price index, the consumer confidence index, unemployment rate, and real GDP.

### Consumer Price Index

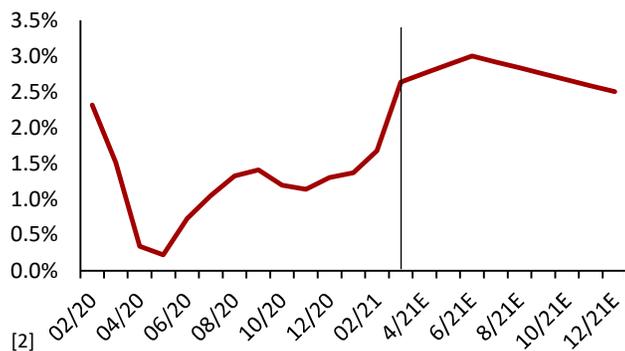
The consumer price index (CPI) measures the change over time in prices paid for a market basket of consumer goods and services. It is the primary measure of inflation in the United States. The CPI is an important factor to consider when analyzing the Consumer Staples sector because the market basket is primarily composed of goods whose companies are in the Consumer Staples sector, and as a result, inflation and price changes directly affect the profits of companies in the sector.

Prior to the pandemic, the CPI had increased steadily at an average annual rate of 1.7%<sup>[2]</sup>, which is near the Federal Reserve's 2% target inflation rate. However, once the pandemic began to affect the United States' economy, inflation lowered dramatically to 0.34% in April of 2020<sup>[2]</sup>. Since then, it has surpassed its average annual rate, most recently measuring at a 2.64% year-over-year increase as of March 2021<sup>[2]</sup>.

As a result of the recent stimulus packages in the United States, as well as previously lowered interest rates by the Federal Reserve meant to increase consumer spending, inflation is looming<sup>[3]</sup>. Intended to help the economy recover from the pandemic's effects, the \$1.7 trillion stimulus package has arranged for the economy to experience an expected growth of 6.4% in 2021<sup>[3]</sup>. Economic growth, especially when created from debt, results in inflation. Looking forward, we expect that inflation, as measured by the year-over-year growth of CPI, will be around 3% by June 2021 and will slow to 2.5% by the end of the year, driven by the Fed's initiative to maintain stable prices. Beyond 2021, the Federal Reserve has hinted that they do not plan to raise interest rates until mid-2023<sup>[3]</sup>, which we believe will result in higher inflation of 2.3% until then. Once interest rates are raised, we predict CPI growth of 1.9% annually through

2025. We project that Anheuser-Busch’s revenue per unit will increase at the same rate as inflation each year.

### Inflation in the US



### Consumer Confidence Index

The consumer confidence index (CCI) measures the confidence of the public regarding their personal financial situation and the long-term and near-term health of the nation’s economy. It gives an overall picture of consumers’ future purchasing intentions and their attitude towards the economy. When analyzing the Consumer Staples sector, CCI is an important metric to consider because it sheds light on future consumer spending trends. While the overall Consumer Staples sector experiences elevated demand even during recessionary conditions, the alcoholic beverage industry, driven in-part by on premise sales at nightclubs and bars, relies heavily on consumer confidence to maintain strong revenue and profits.

Despite its volatility, the consumer confidence index had seen an overall positive recovery since the 2008 financial crisis<sup>[4]</sup>. Much like the rest of the economy, when the pandemic began to take its toll in spring of 2020, the consumer confidence index decreased by 19.4% to 71.8<sup>[4]</sup>. Though it has yet to return to its pre-pandemic level, since its drop in April 2020, the CCI has recovered by 18.2% to 84.9, as of March 2021<sup>[4]</sup>.

We project that the consumer confidence index will increase by 4.8% to 89 by the end of June, and by 10.7% to 94 by December. With vaccine distribution occurring at a higher-than-expected pace, we see the general public regaining confidence sooner, which in turn will generate a snowball effect of increased business sales leading to increased employment and an overall steadier economic climate. We believe that the CCI will return to its pre-pandemic level by mid-2022. As consumer confidence increases, vaccines continue to rollout, and businesses reopen—especially bars and nightclubs—we

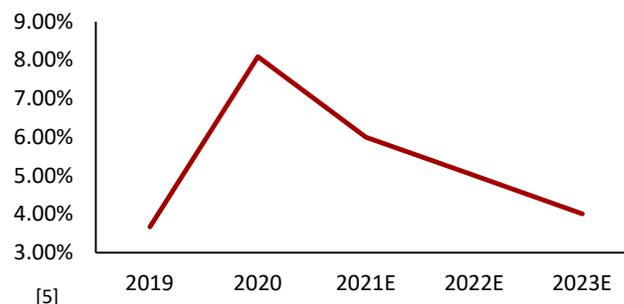
believe AB’s volume sales will rebound from their sharp 2020 decline.

### Current Employment Statistics

Unemployment measures the percentage of Americans over 16 who are not employed and are actively searching for work<sup>[5]</sup>. Unemployment is a very crucial metric when analyzing the Consumer Staples sector. As a whole, the sector generally entices demand regardless of economic conditions due its variety of necessities. However, unemployment statistics greatly impact the willingness of consumers to buy specific products within the Consumer Staples sector. For example, in times with a high unemployment rate, consumers potentially could be more price sensitive and look to save money by cutting back on non-essential costs. For many, that could mean cutting back on the buying of alcoholic beverages entirely, due to not viewing it as a necessity. Others may turn toward buying less expensive, low-end alcohol, which boasts smaller profit margins than their higher end counterparts.

Following the housing market crisis, the United States experienced a decrease in unemployment each year from 2011 to 2019, reaching a low of 3.67% in 2019<sup>[5]</sup>. In early 2020, the Coronavirus greatly disrupted the continued trend of decreasing unemployment, soaring to 14.8% unemployment in April of 2020<sup>[18]</sup>. As of 2021, the United States is still experiencing the effects from the Coronavirus outbreak, which accumulated to ending the longest historical economic expansion<sup>[5]</sup>. Through the Federal Reserve’s Dual Mandate policy, one of their goals is to maximize employment while minimizing inflation<sup>[17]</sup>. As a result, we predict unemployment will be around 6% in 2021, 5% in 2022, and in 2023 reaching an unemployment rate of 4%, as shown in the chart below. A decreasing unemployment rate will be highlighted through individuals feeling more comfortable working and businesses feeling more secure opening and returning to expansion goals.

### US National Unemployment Rate



Specifically, for Anheuser-Busch, as unemployment rates decrease, we believe it will positively impact the sales of alcoholic beverages, as individuals will feel they can comfortably afford alcohol, in both off premise locations and on premise locations.

### Gross Domestic Product

Gross Domestic Product (GDP) measures the total value of all the goods and services outputted in each economy. Analyzing the US GDP is very important to the Consumer Staples sector because a large portion of the US GDP is derived from Consumer Staples products. As of March 2021, personal consumption accounts for over two-thirds of gross domestic product<sup>[6]</sup>.

Analyzing GDP trends helps to further understand the Consumer Staples sector. If GDP is expected to increase, it is likely due to an increase in demand of products and services in the Consumer Staples sector.

In 2017, gross domestic product grew 2.3%<sup>[6]</sup>, after which consumer spending grew very quickly. 2018 experienced GDP growth of 3.0%<sup>[6]</sup>. In the beginning of 2019, the economic growth continued, however, this was not translated in the latter half of the year, creating an overall 2019 annual GDP growth rate of 2.2%. The Coronavirus outbreak also had a significant impact, and annual US GDP fell 3.5% in 2020<sup>[6]</sup>. However, we believe with the continued roll out in vaccines GDP will continue to grow consistently in the upcoming years. Specifically, in 2021 we predict GDP will grow 6% due to Coronavirus regulations being lifted. This will allow businesses to operate at higher capacity than those allowed during the Coronavirus pandemic. In 2022, we predict there will be a 4% increase in GDP, primarily due to the world continuing to more normalcy by operating at full capacity and finding the need to expand and invest. Then in 2023, we predict the GDP growth to still be positive to show growth, however a much smaller level of growth at 1.5%. The high growth of GDP is not feasible into 2023 and the couple following years because we expect the world to return to normalcy<sup>[6]</sup>.

Furthermore, our predicted GDP helped forecast the annual total revenue growth in the model, due to the direct relationship between the Consumer Staples sector and GDP. AB is a company positioned in the Consumer Staples sector, and once Coronavirus regulation decreases AB will be able to take advantage of the increase in output they can produce, ultimately increasing the US GDP.

### Valuation Methodology

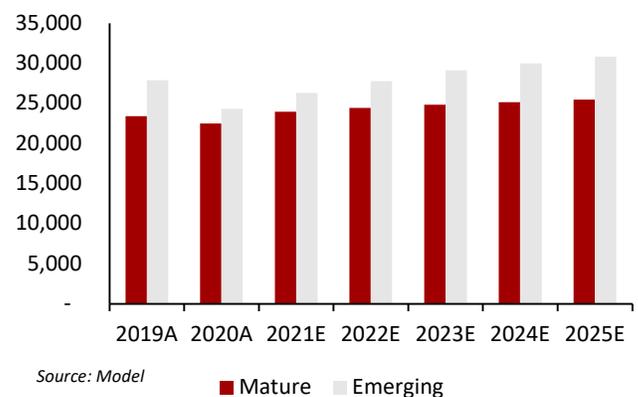
When valuing Anheuser-Busch, we carefully analyzed their historical trends, as well as current economic conditions that would have an impact on the future performance of the company. We integrated our personal economic and industry outlooks to create a financial forecast over the next five years of the company's life, which we used to build discounted cash flow, economic profit, dividend discount, and relative valuation models.

### Revenue Decomposition

When approaching revenue decomposition, we first broke down Anheuser-Busch's revenue by geography into the following segments: North America, Middle Americas, South America, EMEA, Asia Pacific, and Global Export and Holding Companies. Furthermore, we decomposed AB's revenue into the volume of sales in each region, as measured by millions of hectoliters. This allowed us to analyze the revenue on a per hectoliter basis.

When forecasting top-line growth, we started on a per-hectoliter basis. We forecasted each region's revenue per hectoliter to grow at the region's estimated inflation rate, based on a weighted average inflation estimate of the top countries by volume sales in each region. For foreign countries, we based the inflation estimates on economists' consensus forecasts<sup>[16]</sup>. The United States' inflation estimates were our personal outlook.

### Revenue by Market



Next, we forecasted the volume sales by geographic region, as shown above. In 2021, we forecasted high volume sales growth in all regions. As vaccines roll out and bars and clubs reopen, we expect on premise sales—which accounted for 44% of all sales in the brewing

industry in 2019<sup>[7]</sup>—to help AB’s volume sales rebound from a poor-performing 2020. In 2022 and beyond, we forecasted elevated sales growth in Middle Americas, South America, and Asia Pacific, as these are considered emerging markets<sup>[10]</sup>. In EMEA, we forecasted sluggish sales growth, as this is considered a mature market, whose consumers are aging and turning towards higher-end alcohol choices, such as wine and spirits<sup>[1]</sup>. In North America, we forecasted negative growth. Given that this is a mature market, we predict that consumers in this region will continue to move away from beer and towards hard seltzers, specifically those not produced by AB. Finally, to arrive at our total revenue projections, we multiplied the revenue per hectoliter by the volume sales for each region.

### **Cost of Goods Sold**

In fiscal 2017, AB InBev completed their merger with SAB Miller, so we believe that the past four years’ financials best represent the structure of the company going forward. To forecast cost of goods sold, we averaged the historical cost of goods sold as a percentage of sales over the past four years. By doing so, we found that cost of goods sold representing 32.57% of sales would be the most accurate forecast each year. We straight lined this projection into the forecast horizon. Historically, AB has passed increases in input prices onto the consumer, so we believe that if they are faced with this situation, it will not affect their overall gross margin, as they will continue to pass on the cost to consumers.

### **Selling, General & Administrative Expenses**

AB InBev’s selling, general and administrative expenses are further divided into five categories: research and development, distribution expenses, sales and marketing expenses, administrative expenses, and other operating expense. Like cost of goods sold, we forecasted each of these expenses as a percentage of sales based on the historical average of the last four years. We did not decrease any of these expenses as a percentage of sales in the forecast period, because we believe that all possible synergies from the 2017 merger with SAB Miller have been achieved.

### **Weighted Average Cost of Capital (WACC)**

When calculating WACC, we used a 9.51% cost of equity, 2.97% after-tax cost of debt, and a 46.42% debt-to-capital ratio. Without market value data available, we relied on the book value of debt when calculating the debt-to-capital ratio. When calculating the weight of equity in the capital structure, we used ordinary shares

outstanding, as reported on the most recent 20-F for fiscal year 2020. This resulted in a WACC of 6.47%, which was used as the discount rate in the DCF and EP models.

### **Cost of Equity**

To calculate the cost of equity, we used the traditional capital asset pricing model. We assumed a risk-free rate of 1.68%, based on the 10-year treasury bond. Our beta was calculated as the average of AB’s two-, three-, and four-year raw monthly betas, resulting in a beta of 1.60. We excluded the one-year beta from our calculation to compensate for a noisy year in the market. Our equity risk premium of 4.88% was calculated based on the geometric average over the 10-year treasury from 1928 to 2020. This resulted in a cost of equity of 9.51%.

### **Cost of Debt**

Since AB’s debt is publicly traded, we used the yield to maturity (YTM) of a bond whose duration matched the forecast horizon to calculate the cost of debt. We selected AB InBev’s 22-year bond, whose YTM gave us a pre-tax cost of debt of 4.3%. We chose the 22-year bond not only because it matched the forecast horizon of the company, but also because it had the highest YTM of all outstanding bonds. We felt that AB’s significant debt balance should result in a higher cost of debt than other bonds’ yields to maturity suggested. From here, we used our 30.8% marginal tax rate to arrive at an after-tax cost of debt of 2.97%.

### **Valuation Models**

#### **Discounted Cash Flow & Economic Profit**

The discounted cash flow (DCF) model was built by forecasting AB’s future free cash flows, then discounting them to the present value using the WACC as the discount rate. Free cash flow is defined as net operating profit less adjusted taxes (NOPLAT), less the change in invested capital. The economic profit (EP) model was built by forecasting AB’s future EP, then discounting it to the present using the WACC as the discount rate and adding 2020’s ending invested capital. EP is defined as beginning invested capital divided by the spread between ROIC and WACC. For both models, we next adjusted for outstanding debt and additional assets to arrive at equity value, then divided by shares outstanding to arrive at a per-share price of \$74.06.

#### **Dividend Discount Model**

Our dividend discount model (DDM) produced an implied share price of \$41.33. Historically, Anheuser-

Busch's dividends have varied dramatically, making their future dividends difficult to forecast. Thus, we did not consider the DDM when determining our target price.

### Relative Valuation

In our relative valuation model, we considered the five closest comparable companies to AB InBev: Molson Coors, Constellation Brands, Boston Beer Company, Diageo, and Heineken. We first used AB's relative price to earnings ratios for 2021 and 2022 to create implied share prices of \$72.27 and \$68.51, respectively. For this calculation, we excluded Boston Beer Company's P/E from the average because it was 97% greater than the next highest P/E. Additionally, we used a price to sales metric to produce implied share prices of \$89.65 and \$85.51 for 2021 and 2022, respectively. We excluded Diageo's price to sales ratio here, as it was 2.9 times greater than the next highest ratio. We did not consider the price to sales metric when determining our target price, because AB's sales are elevated relative to their peers. AB's profit margins are more comparable to their peers than their sales, therefore a price to earnings metric is more realistic, while a relative price to sales multiple makes AB's relative value inflated.

## Sensitivity Analysis

### WACC vs CV Growth of NOPLAT

We wanted to test the sensitivity between WACC and the CV growth of the NOPLAT because these are both very important factors in our intrinsic valuation, as slight changes could drastically change the valuation. As the WACC increases the valuation decreases, the table below showcases the change in valuation with 0.1% increments. Additionally, as CV growth of NOPLAT increases the valuation increases, which is shown by the change in 0.1% increments.

		Weighted Average Cost of Capital (WACC)							
		74.06	6.17%	6.27%	6.37%	6.47%	6.57%	6.67%	6.77%
CV Growth of NOPLAT	1.70%	77.51	74.42	71.47	68.63	65.92	63.31	60.81	
	1.80%	79.55	76.35	73.29	70.37	67.56	64.87	62.29	
	1.90%	81.69	78.37	75.20	72.17	69.27	66.49	63.82	
	2.00%	83.93	80.48	77.20	74.06	71.06	68.18	65.43	
	2.10%	86.28	82.70	79.29	76.03	72.92	69.95	67.10	
	2.20%	88.74	85.02	81.48	78.10	74.87	71.79	68.85	
	2.30%	91.34	87.46	83.77	80.26	76.91	73.72	70.67	

### Risk-Free Rate vs Cost of Equity

We decided to test the sensitivity between risk-free rate and cost of equity, due to the overall impact these assumptions have on WACC. Shown in the top right, as risk-free rate increases in increments of 0.1%, the

valuation decreases. Furthermore, as cost of equity increases, in increments of 1.0%, the implied share price increases. Both of these assumptions are a foundational part in calculating WACC, the discount rate.

		Risk-Free Rate							
		74.06	1.38%	1.48%	1.58%	1.68%	1.78%	1.88%	1.98%
Cost of Equity	6.51%	78.57	76.83	75.12	73.46	71.84	70.25	68.70	
	7.51%	78.79	77.04	75.33	73.66	72.03	70.44	68.89	
	8.51%	79.00	77.24	75.53	73.86	72.23	70.64	69.08	
	9.51%	79.21	77.45	75.73	74.06	72.42	70.82	69.26	
	10.51%	79.42	77.66	75.94	74.25	72.61	71.01	69.45	
	11.51%	79.63	77.86	76.13	74.45	72.80	71.20	69.63	
	12.51%	79.84	78.06	76.33	74.64	72.99	71.38	69.81	

### CV COGS as % of Sales vs CV Sales & Marketing as % of Sales

We decided to test the CV sales and marketing expense as a percentage of sales versus the CV COGS as a percentage of sales because these are AB's two largest expense categories. As a result, if these percentages are slightly altered, it would greatly affect the EBITA, which in turn would impact NOPLAT and the overall valuation. As shown below, when the CV COGS as a percentage of sales and CV sales and marketing expense as a percentage of sales increase, the implied share price decreases.

		Beta							
		74.06	1.30	1.40	1.50	1.60	1.70	1.80	1.90
Equity Risk Premium	4.58%	112.71	101.27	91.23	82.34	74.43	67.33	60.93	
	4.68%	109.30	98.05	88.19	79.47	71.70	64.74	58.45	
	4.78%	106.01	94.97	85.28	76.71	69.08	62.24	56.07	
	4.88%	102.85	91.99	82.48	74.06	66.56	59.84	53.78	
	4.98%	99.81	89.13	79.78	71.50	64.13	57.53	51.57	
	5.08%	96.87	86.38	77.17	69.04	61.80	55.30	49.45	
	5.18%	94.04	83.72	74.67	66.67	59.54	53.16	47.40	

### Beta vs Equity Risk Premium

We decided to test beta versus the equity risk premium, because they are important inputs to the cost of equity, and as a result are important to the WACC. Because we use the WACC as the discount rate for our DCF and EP models, changing the beta and equity risk premium would greatly affect our share price valuation. As shown below, as we increase the beta and the equity risk premium, the implied share price decreases.

		CV Sales & Marketing as a % of Sales							
		74.06	12.83%	13.33%	13.83%	14.33%	14.83%	15.33%	15.83%
CV COGS as % of Sales	29.57%	98.74	96.00	93.25	90.51	87.77	85.03	82.29	
	30.57%	93.25	90.51	87.77	85.03	82.29	79.54	76.80	
	31.57%	87.77	85.03	82.29	79.54	76.80	74.06	71.32	
	32.57%	82.29	79.54	76.80	74.06	71.32	68.57	65.83	
	33.57%	76.80	74.06	71.32	68.57	65.83	63.09	60.35	
	34.57%	71.32	68.57	65.83	63.09	60.35	57.61	54.86	
	35.57%	65.83	63.09	60.35	57.61	54.86	52.12	49.38	

## Pre-Tax Cost of Debt vs CV ROIC

For our final sensitivity analysis, we tested the pre-tax cost of debt versus the CV ROIC. The CV ROIC is an input into the continuing value equation, which makes up a large portion of the overall valuation. Additionally, pre-tax cost of debt is a driving factor in our model, as it is an input into the WACC calculation, which is used as our discount rate. As shown below, when pre-tax cost of debt increases the valuation increases.

		CV ROIC							
		74.06	18.16%	18.66%	19.16%	19.66%	20.16%	20.66%	21.16%
Pre-Tax Cost of Debt	2.29%	72.88	73.26	73.61	73.96	74.28	74.59	74.88	
	2.79%	72.91	73.29	73.65	73.99	74.32	74.62	74.92	
	3.29%	72.95	73.32	73.68	74.03	74.35	74.66	74.95	
	3.79%	72.98	73.36	73.72	74.06	74.38	74.69	74.99	
	4.29%	73.01	73.39	73.75	74.09	74.41	74.72	75.02	
	4.79%	73.04	73.42	73.78	74.12	74.44	74.75	75.05	
	5.29%	73.07	73.45	73.81	74.15	74.47	74.78	75.08	

## Important Disclaimer

This report was created by students enrolled in the Applied Equity Valuation class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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**Anheuser-Busch InBev**

*Revenue Decomposition*

Revenue in millions of USD

<b>Fiscal Years Ending Dec. 31</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Revenue by Geographic Region</b>								
North America	15,504	15,488	15,622	16,609	16,816	17,055	17,263	17,420
% growth	-0.54%	-0.10%	0.87%	6.32%	1.25%	1.42%	1.22%	0.91%
Middle Americas	11,614	11,912	10,032	10,893	11,529	12,132	12,561	13,004
% growth	-17.78%	2.57%	-15.78%	8.58%	5.84%	5.23%	3.53%	3.53%
South America	10,238	9,790	8,092	9,221	10,074	10,816	11,253	11,650
% growth	24.09%	-4.38%	-17.34%	13.96%	9.25%	7.36%	4.04%	3.53%
EMEA	8,368	7,911	6,835	7,325	7,601	7,740	7,855	8,013
% growth	-19.10%	-5.46%	-13.60%	7.16%	3.77%	1.83%	1.49%	2.01%
Asia Pacific	6,735	6,544	5,648	6,157	6,629	7,005	7,324	7,545
% growth	-13.70%	-2.84%	-13.69%	9.01%	7.67%	5.68%	4.54%	3.02%
Global Export and Holding Companies	582	685	652	688	713	738	764	791
% growth	75.30%	17.70%	-4.82%	5.57%	3.53%	3.53%	3.53%	3.53%
<b>TOTAL</b>	<b>53,041</b>	<b>52,330</b>	<b>46,881</b>	<b>50,893</b>	<b>53,363</b>	<b>55,486</b>	<b>57,019</b>	<b>58,423</b>
% growth	-6.03%	-1.34%	-10.41%	8.56%	4.85%	3.98%	2.76%	2.46%

**Volume Sales by Geographic Region - in millions of hL**

North America	110.726	108.133	106.846	111.120	110.009	109.459	108.692	107.605
% growth	-2.44%	-2.34%	-1.19%	4.00%	-1.00%	-0.50%	-0.70%	-1.00%
Middle Americas	128.803	133.538	120.800	128.048	131.889	135.187	137.214	139.273
% growth	-24.37%	3.68%	-9.54%	6.00%	3.00%	2.50%	1.50%	1.50%
South America	135.618	139.664	144.209	154.304	160.476	164.488	167.777	171.133
% growth	44.66%	2.98%	3.25%	7.00%	4.00%	2.50%	2.00%	2.00%
EMEA	87.135	85.888	76.207	80.017	81.218	80.812	80.407	80.810
% growth	-33.83%	-1.43%	-11.27%	5.00%	1.50%	-0.50%	-0.50%	0.50%
Asia Pacific	96.116	93.168	81.649	86.548	90.875	93.602	96.410	98.338
% growth	-5.76%	-3.07%	-12.36%	6.00%	5.00%	3.00%	3.00%	2.00%
Global Export and Holding Companies	1.422	1.036	0.933	0.966	0.980	0.995	1.010	1.025
% growth	6.44%	-27.14%	-9.94%	3.50%	1.50%	1.50%	1.50%	1.50%
<b>TOTAL</b>	<b>559.820</b>	<b>561.427</b>	<b>530.644</b>	<b>561.002</b>	<b>575.447</b>	<b>584.541</b>	<b>591.511</b>	<b>598.183</b>
% growth	-8.61%	0.29%	-5.48%	5.72%	2.57%	1.58%	1.19%	1.13%

**Revenue per hectoliter by geographic region**

North America	140.02	143.23	146.21	149.47	152.86	155.81	158.82	161.89
% growth	1.95%	2.29%	2.08%	2.23%	2.27%	1.93%	1.93%	1.93%
Middle Americas	90.17	89.20	83.05	85.07	87.42	89.75	91.54	93.37
% growth	8.72%	-1.07%	-6.90%	2.44%	2.76%	2.67%	2.00%	2.00%
South America	75.49	70.10	56.11	59.76	62.78	65.75	67.07	68.08
% growth	-14.22%	-7.15%	-19.95%	6.50%	5.05%	4.74%	2.00%	1.50%
EMEA	96.03	92.11	89.69	91.54	93.59	95.78	97.69	99.16
% growth	22.26%	-4.09%	-2.63%	2.06%	2.24%	2.34%	2.00%	1.50%
Asia Pacific	70.07	70.24	69.17	71.14	72.95	74.84	75.96	76.72
% growth	-8.43%	0.24%	-1.52%	2.84%	2.54%	2.60%	1.50%	1.00%
Global Export and Holding Companies	409.28	661.20	698.82	712.80	727.05	741.59	756.43	771.55
% growth	64.70%	61.55%	5.69%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>TOTAL</b>	<b>881.07</b>	<b>1,126.07</b>	<b>1,143.05</b>	<b>1,169.77</b>	<b>1,196.65</b>	<b>1,223.53</b>	<b>1,247.52</b>	<b>1,270.77</b>
% growth	19.21%	21.76%	1.49%	2.34%	2.30%	2.25%	1.96%	1.86%

**Anheuser-Busch InBev**
*Income Statement*

All numbers in millions of USD except EPS and Dividends

<i>Fiscal Years Ending Dec. 31</i>	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue	54,619	52,329	46,881	50,893	53,363	55,486	57,019	58,423
Cost of sales	(16,099)	(15,705)	(14,805)	(16,574)	(17,378)	(18,070)	(18,569)	(19,026)
Depreciation, Amortization, and Impairment	(4,260)	(4,657)	(4,829)	(4,367)	(4,513)	(4,636)	(4,740)	(4,829)
<b>Gross profit</b>	<b>34,260</b>	<b>31,967</b>	<b>27,247</b>	<b>29,952</b>	<b>31,472</b>	<b>32,781</b>	<b>33,710</b>	<b>34,568</b>
Research & Development	(285)	(291)	(296)	(280)	(294)	(306)	(314)	(322)
Distribution expenses	(5,770)	(5,525)	(5,104)	(5,397)	(5,659)	(5,884)	(6,047)	(6,196)
Sales & marketing expenses	(7,883)	(7,348)	(6,565)	(7,294)	(7,648)	(7,952)	(8,172)	(8,373)
Administrative expenses	(3,180)	(3,257)	(3,404)	(3,259)	(3,418)	(3,554)	(3,652)	(3,742)
Other operating income/(expenses)	680	875	845	793	831	865	888	910
<b>Profit from operations before non-recurring items</b>	<b>17,822</b>	<b>16,421</b>	<b>12,723</b>	<b>14,514</b>	<b>15,285</b>	<b>15,950</b>	<b>16,414</b>	<b>16,846</b>
Restructuring	(385)	(170)	(157)	(157)	(157)	(157)	(157)	(157)
Acquisition costs business combinations	(74)	(23)	(25)	-	-	-	-	-
Business & asset disposals (including impairment losses)	(26)	(50)	(239)	-	-	-	-	-
Other non-recurring items	(230)	(80)	(2,682)	-	-	-	-	-
<b>Profit from operations</b>	<b>17,107</b>	<b>16,098</b>	<b>9,620</b>	<b>14,357</b>	<b>15,128</b>	<b>15,793</b>	<b>16,257</b>	<b>16,689</b>
Net finance income (cost)	(8,729)	(3,473)	(7,697)	(3,374)	(3,422)	(3,281)	(3,137)	(2,999)
Share of result of associates & joint ventures	153	152	156	156	156	156	156	156
<b>Profit before tax</b>	<b>8,531</b>	<b>12,777</b>	<b>2,079</b>	<b>11,139</b>	<b>11,862</b>	<b>12,667</b>	<b>13,276</b>	<b>13,846</b>
Income tax expense	(2,839)	(2,786)	(1,932)	(3,428)	(3,650)	(3,898)	(4,085)	(4,261)
Profit from continuing operations	5,691	9,990	147	7,711	8,212	8,769	9,190	9,585
Profit from discontinued operations	-	424	2,055	-	-	-	-	-
<b>Profit of the year</b>	<b>5,692</b>	<b>10,415</b>	<b>2,202</b>	<b>7,711</b>	<b>8,212</b>	<b>8,769</b>	<b>9,190</b>	<b>9,585</b>
Profit attributable to equity holders of AB InBev	4,368	9,171	(650)	6,059	6,561	7,118	7,539	7,934
Profit attributable to non-controlling interest	1,324	1,244	2,852	1,652	1,652	1,652	1,652	1,652
Weighted average basic shares outstanding	1,975	1,984	1,998	1,976	1,991	2,006	2,022	2,037
Year end shares outstanding	1,957	1,959	1,968	1,983	1,999	2,014	2,029	2,045
Basic earnings per share from continuing operations attributable to AB InBev equity holders	2.21	4.62	(0.33)	3.07	3.30	3.55	3.73	3.89
Dividends per share	3.93	2.53	0.90	3.13	3.36	3.62	3.81	3.98

## Anheuser-Busch InBev

## Balance Sheet

in millions of USD

<i>Fiscal Years Ending Dec. 31</i>	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
<b>As Reported Annual Balance Sheet</b>								
<b>ASSETS</b>								
Non-current assets								
Property, plant & equipment, gross	48,404	50,786	51,221	56,095	60,969	65,843	70,717	75,591
Depreciation & impairment losses - property, plant & equipment	(22,494)	(23,242)	(24,802)	(28,623)	(32,596)	(36,700)	(40,915)	(45,225)
Property, plant & equipment, net	25,910	27,544	26,419	27,472	28,373	29,143	29,802	30,366
Goodwill	133,311	128,114	120,972	120,972	120,972	120,972	120,972	120,972
Intangible assets	44,831	42,452	41,527	40,981	40,441	39,909	39,384	38,866
Investments in associates	6,136	5,861	6,143	6,143	6,143	6,143	6,143	6,143
Investment securities	108	110	137	137	140	142	145	147
Deferred tax assets	1,457	1,719	2,019	2,015	2,146	2,292	2,402	2,505
Employee benefits	16	14	6	6	6	6	6	6
Income tax receivables	992	1,081	869	1,333	1,420	1,516	1,589	1,657
Derivatives	291	132	138	138	141	143	146	148
Trade & other receivables, net	769	807	1,661	1,014	1,063	1,106	1,136	1,164
<b>Total non-current assets</b>	<b>213,821</b>	<b>207,834</b>	<b>199,891</b>	<b>200,211</b>	<b>200,844</b>	<b>201,372</b>	<b>201,724</b>	<b>201,975</b>
Investment securities	87	92	396	396	403	411	418	426
Inventories	4,234	4,427	4,482	4,208	4,412	4,587	4,714	4,830
Income tax receivable	457	627	655	575	556	514	604	748
Derivatives	16	230	827	828	842	858	873	889
Trade & other receivables	6,375	6,187	4,833	5,781	6,062	6,303	6,477	6,636
Cash & cash equivalents	7,074	7,238	15,252	12,249	11,611	11,096	10,225	9,315
Assets classified as held for sale	39	10,013	74	59	44	30	15	-
<b>Total current assets</b>	<b>18,282</b>	<b>28,814</b>	<b>26,519</b>	<b>24,095</b>	<b>23,931</b>	<b>23,798</b>	<b>23,325</b>	<b>22,844</b>
<b>Total assets</b>	<b>232,103</b>	<b>236,648</b>	<b>226,410</b>	<b>224,307</b>	<b>224,775</b>	<b>225,170</b>	<b>225,050</b>	<b>224,819</b>
<b>SHAREHOLDERS EQUITY</b>								
Common Equity	19,356	19,356	19,356	20,449	21,543	22,636	23,730	24,823
Reserves	19,056	24,882	17,798	18,839	18,879	18,912	18,902	18,882
Retained earnings	26,074	31,484	30,870	30,719	30,556	30,379	30,192	29,995
Equity attributable to equity holders of AB InBev	64,486	75,722	68,024	70,008	70,977	71,927	72,823	73,700
Non-controlling interest	7,418	8,831	10,327	11,979	13,630	15,282	16,933	18,585
<b>Total equity</b>	<b>71,904</b>	<b>84,553</b>	<b>78,351</b>	<b>81,986</b>	<b>84,607</b>	<b>87,208</b>	<b>89,756</b>	<b>92,285</b>
<b>LIABILITIES</b>								
Non-current liabilities								
Total debt	105,584	97,564	95,478	92,498	88,605	84,711	80,818	76,925
Employee benefits	2,681	2,848	2,969	0	0	0	0	0
Deferred tax liabilities	13,165	12,824	12,627	11,997	12,776	13,643	14,299	14,913
Income tax payables	576	1,022	808	1,173	1,250	1,334	1,398	1,459
Derivatives	766	352	1,759	1,760	1,792	1,824	1,857	1,890
Trade & other payables	1,816	1,943	1,522	1,522	1,522	1,522	1,522	1,522
Provisions	1,152	701	544	544	544	544	544	544
<b>Total non-current liabilities</b>	<b>125,740</b>	<b>117,254</b>	<b>115,707</b>	<b>109,494</b>	<b>106,489</b>	<b>103,579</b>	<b>100,438</b>	<b>97,253</b>
Bank overdrafts	114	68	5	5	5	5	5	5
Interest-bearing loans & borrowings	4,216	5,410	3,081	5,967	5,781	5,538	5,294	5,051
Derivatives	5,574	3,799	5,046	5,050	5,140	5,233	5,327	5,423
Income tax payable	1,220	1,346	1,036	1,937	2,063	2,203	2,309	2,408
Trade payables & accrued expenses	15,512	15,876	15,898	15,223	15,962	16,598	17,056	17,476
Payroll & social security payables	900	736	800	895	939	976	1,003	1,028
Indirect taxes payable	2,633	2,708	2,629	-	-	-	-	-
Interest payable	1,616	1,679	1,625	1,625	1,625	1,625	1,625	1,625
Consigned packaging	1,093	1,106	1,010	1,010	1,010	1,010	1,010	1,010
Cash guarantees	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Dividends payable	331	338	427	335	362	393	416	438
Deferred income	32	21	27	27	28	29	30	31
Deferred consideration on acquisitions	163	221	300	300	300	300	300	300
Other payables	289	179	249	233	245	254	261	268
Trade & other payables	22,569	22,864	22,965	19,648	20,471	21,185	21,701	22,175
Provisions	766	210	219	219	219	219	219	219
Liabilities associated with assets held for sale	-	1,145	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>34,459</b>	<b>34,841</b>	<b>32,352</b>	<b>32,826</b>	<b>33,679</b>	<b>34,383</b>	<b>34,856</b>	<b>35,281</b>
<b>Total equity &amp; liabilities</b>	<b>232,103</b>	<b>236,648</b>	<b>226,410</b>	<b>224,307</b>	<b>224,775</b>	<b>225,170</b>	<b>225,050</b>	<b>224,819</b>

Anheuser-Busch InBev  
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2018	2019	2020
<b>OPERATIONS</b>			
<b>Profit</b>	<b>5,691</b>	<b>9,990</b>	<b>147</b>
Depreciation, amortization & impairment	4,260	4,657	4,829
Impairment losses on receivables, inventories & other assets	115	112	2,718
Additions/(reversals) in provisions & employee benefits	505	216	278
Net finance cost (income)	8,729	3,473	7,697
Loss/(gain) on sale of property, plant & equipment & intangible assets	(82)	(149)	(69)
Loss/(gain) sale of subsidiaries, associates & assets held for sale	(20)	(34)	7
Revaluation of initial investment in Grupo Modelo	-	-	-
Equity-settled share-based payment expense	337	340	169
Income tax expense	2,839	2,786	1,932
Other non-cash items included in profit	(660)	(220)	(381)
Share of result of associates	(153)	(152)	(156)
<b>Cash flows from operating activities before changes in working capital &amp; use of provisions</b>	<b>21,561</b>	<b>21,019</b>	<b>17,171</b>
Decrease/(increase) in trade & other receivables	(38)	(258)	516
Decrease/(increase) in inventories	(603)	(426)	(427)
Increase/(decrease) in trade & other payables	1,153	679	503
Pension contributions & use of provisions	(488)	(715)	(616)
<b>Cash generated from operations</b>	<b>21,585</b>	<b>20,299</b>	<b>17,147</b>
Interest paid	(4,445)	(4,450)	(4,340)
Interest received	428	523	255
Dividends received	141	160	51
Income tax paid	(3,047)	(3,136)	(2,306)
Cash flow from discontinued operations	-	-	84
<b>Cash flows from operating activities</b>	<b>14,662</b>	<b>13,396</b>	<b>10,891</b>
<b>INVESTING</b>			
Acquisition of property, plant & equipment & of intangible assets	(5,086)	(5,174)	(3,781)
Proceeds from sale of property, plant & equipment & intangible assets	437	320	94
Proceeds from sale of associates	-	-	-
Acquisition of SABMiller, net of cash acquired	-	-	-
Acquisition of subsidiaries, net of cash acquired	(112)	(385)	(510)
Sale of subsidiaries, net of cash disposed of	257	133	-
Purchase of non-controlling interest	-	-	-
Net proceeds from sale/(acquisition) of investment in short-term debt securities	1,296	(9)	-
Net of tax proceeds from the sale of assets held for sale	-	-	-
Net proceeds/(acquisition) of other assets	(172)	30	(292)
Net repayments/(payments) of loans granted	(156)	12	-
Proceeds from SAB transaction-related divestitures	(330)	-	-
Taxes on SAB transaction-related divestitures	(100)	-	-
Proceeds from Australia divestiture	-	-	10,838
Cash flow from investing activities of discontinued operations	-	-	(13)
<b>Cash flows from (used in) investing activities</b>	<b>(3,966)</b>	<b>(5,073)</b>	<b>6,336</b>
<b>FINANCING</b>			
Sale (purchase) of non-controlling interest	(923)	222	3,039
Proceeds from public offering of minority stake in Budwiser APAC	-	5,575	-
Net proceeds from the issue of share capital	-	-	-
Proceeds from borrowings	17,782	22,584	14,822
Payments on borrowings	(22,489)	(30,592)	(23,116)
Cash received for deferred shares instrument	-	-	-
Cash net finance income (cost) other than interests	(554)	(845)	(953)
Share buyback	-	-	-
Payment of lease liabilities	-	(441)	(461)
Dividends paid	(7,761)	(5,015)	(1,800)
Cash flow from financing activities of discontinued operations	-	-	(6)
<b>Cash flows from (used in) financing activities</b>	<b>(13,945)</b>	<b>(8,512)</b>	<b>(8,475)</b>
Net increase /(decrease) in cash & cash equivalents on discontinued operations	-	539	-
<b>Net increase /(decrease) in cash &amp; cash equivalents</b>	<b>(3,249)</b>	<b>(189)</b>	<b>8,752</b>
Cash & cash equivalents less bank overdrafts at beginning of year	10,356	6,960	7,169
Effect of exchange rate fluctuations	(148)	(141)	(674)
Cash & cash equivalents less bank overdrafts at end of year	6,959	6,630	15,247

**Anheuser-Busch InBev**

*Forecasted Cash Flow Statement*

*all numbers in millions of USD*

<b>Fiscal Years Ending Dec. 31</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>OPERATIONS</b>					
<b>Profit of the year</b>	<b>7,711</b>	<b>8,212</b>	<b>8,769</b>	<b>9,190</b>	<b>9,585</b>
Depreciation, Amortization, and Impairment	4,367	4,513	4,636	4,740	4,829
Deferred Tax Assets	4	(131)	(146)	(110)	(103)
Deferred Tax Liabilities	(630)	780	867	655	615
<b>Changes in Working Capital Items (Assets are Negative):</b>					
Trade & Other Receivables (ST)	(948)	(281)	(241)	(174)	(159)
Trade & Other Receivables (LT)	647	(49)	(42)	(31)	(28)
Inventories	274	(204)	(176)	(127)	(116)
Income Tax Receivables (ST)	80	19	42	(90)	(145)
Income Tax Receivables (LT)	(464)	(87)	(96)	(73)	(68)
Income Tax Payables (ST)	901	126	140	106	99
Income Tax Payables (LT)	365	76	85	64	60
Trade & Other Payables (LT)	-	-	-	-	-
Deferred Income	(0)	1	1	1	1
Trade Payables & Accrued Expenses	(675)	739	635	458	420
Employee Benefits	(2,969)	0	(0)	0	0
Payroll & Security Payables	95	43	37	27	25
Indirect Taxes Payable	(2,629)	-	-	-	-
Other Payables	(16)	11	10	7	6
<b>Cash Inflow (Outflow) from Operating Activities</b>	<b>6,114</b>	<b>13,769</b>	<b>14,521</b>	<b>14,645</b>	<b>15,020</b>
<b>INVESTING</b>					
Capital Expenditures	(4,874)	(4,874)	(4,874)	(4,874)	(4,874)
Investment Securities (ST)	(0)	(2)	(3)	(3)	(3)
Derivatives - Asset (ST)	(1)	(15)	(15)	(15)	(16)
Derivatives - Asset (LT)	(0)	(2)	(3)	(3)	(3)
Derivatives - Liability (LT)	1	32	32	33	33
Derivatives - Liability (ST)	4	91	93	94	96
Assets Classified as Held for Sale	15	15	15	15	15
Investment Securities (LT)	(0)	(7)	(7)	(7)	(8)
<b>Cash Inflow (Outflow) from Investing Activities</b>	<b>(4,855)</b>	<b>(4,764)</b>	<b>(4,762)</b>	<b>(4,760)</b>	<b>(4,758)</b>
<b>FINANCING</b>					
Share Issuance	1,093	1,093	1,093	1,093	1,093
Reserves	1,041	39	33	(10)	(19)
Dividends Payable	(92)	28	31	23	22
Dividends paid	(6,210)	(6,724)	(7,295)	(7,726)	(8,131)
Debt	(2,980)	(3,893)	(3,893)	(3,893)	(3,893)
Issuance of ST interest bearing debt	2,886	(186)	(243)	(243)	(243)
<b>Cash Inflow (Outflow) from Financing Activities</b>	<b>(4,262)</b>	<b>(9,643)</b>	<b>(10,274)</b>	<b>(10,756)</b>	<b>(11,172)</b>
<b>Net Change in Cash</b>	<b>(3,003)</b>	<b>(638)</b>	<b>(515)</b>	<b>(871)</b>	<b>(910)</b>
Cash and equivalents at beginning of period	15,252	12,249	11,611	11,096	10,225
Cash and equivalents at end of period	12,249	11,611	11,096	10,225	9,315

**Anheuser-Busch InBev**  
Common Size Income Statement

<b>Fiscal Years Ending Dec. 31</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	-29.48%	-30.01%	-31.58%	-32.57%	-32.57%	-32.57%	-32.57%	-32.57%
Depreciation, Amortization, and Impairment	-7.80%	-8.90%	-10.30%	-8.58%	-8.46%	-8.35%	-8.31%	-8.26%
<b>Gross profit</b>	<b>62.73%</b>	<b>61.09%</b>	<b>58.12%</b>	<b>58.85%</b>	<b>58.98%</b>	<b>59.08%</b>	<b>59.12%</b>	<b>59.17%</b>
Research & Development	-0.52%	-0.56%	-0.63%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%
Distribution expenses	-10.56%	-10.56%	-10.89%	-10.60%	-10.60%	-10.60%	-10.60%	-10.60%
Sales & marketing expenses	-14.43%	-14.04%	-14.00%	-14.33%	-14.33%	-14.33%	-14.33%	-14.33%
Administrative expenses	-5.82%	-6.22%	-7.26%	-6.40%	-6.40%	-6.40%	-6.40%	-6.40%
Other operating income/(expenses)	1.24%	1.67%	1.80%	1.56%	1.56%	1.56%	1.56%	1.56%
<b>Profit from operations before non-recurring items</b>	<b>32.63%</b>	<b>31.38%</b>	<b>27.14%</b>	<b>28.52%</b>	<b>28.64%</b>	<b>28.75%</b>	<b>28.79%</b>	<b>28.84%</b>
Restructuring	-0.70%	-0.32%	-0.33%	-0.31%	-0.29%	-0.28%	-0.28%	-0.27%
Acquisition costs business combinations	-0.14%	-0.04%	-0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
Business & asset disposals (including impairment losses)	-0.05%	-0.10%	-0.51%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-recurring items	-0.42%	-0.15%	-5.72%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Profit from operations</b>	<b>31.32%</b>	<b>30.76%</b>	<b>20.52%</b>	<b>28.21%</b>	<b>28.35%</b>	<b>28.46%</b>	<b>28.51%</b>	<b>28.57%</b>
Net finance income (cost)	-15.98%	-6.64%	-16.42%	-6.63%	-6.41%	-5.91%	-5.50%	-5.13%
Share of result of associates & joint ventures	0.28%	0.29%	0.33%	0.31%	0.29%	0.28%	0.27%	0.27%
<b>Profit before tax</b>	<b>15.62%</b>	<b>24.42%</b>	<b>4.43%</b>	<b>21.89%</b>	<b>22.23%</b>	<b>22.83%</b>	<b>23.28%</b>	<b>23.70%</b>
Income tax expense	-5.20%	-5.32%	-4.12%	-6.73%	-6.84%	-7.03%	-7.16%	-7.29%
Profit from continuing operations	10.42%	19.09%	0.31%	15.15%	15.39%	15.80%	16.12%	16.41%
Profit from discontinued operations	-	0.81%	4.38%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Profit of the year</b>	<b>10.42%</b>	<b>19.90%</b>	<b>4.70%</b>	<b>15.15%</b>	<b>15.39%</b>	<b>15.80%</b>	<b>16.12%</b>	<b>16.41%</b>
Profit attributable to equity holders of AB InBev	8.00%	17.53%	-1.39%	11.91%	12.29%	12.83%	13.22%	13.58%
Profit attributable to non-controlling interest	2.42%	2.38%	6.08%	3.25%	3.09%	2.98%	2.90%	2.83%

Anheuser-Busch InBev  
Common Size Balance Sheet

<b>Fiscal Years Ending Dec. 31</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>As Reported Annual Balance Sheet</b>								
<b>ASSETS</b>								
Non-current assets								
Property, plant & equipment, gross	88.62%	97.05%	109.26%	110.22%	114.25%	118.66%	124.02%	129.39%
Depreciation & impairment losses - property, plant & equipment	-41.18%	-44.42%	-52.90%	-56.24%	-61.08%	-66.14%	-71.76%	-77.41%
Property, plant & equipment, net	47.44%	52.64%	56.35%	53.98%	53.17%	52.52%	52.27%	51.98%
Goodwill	244.07%	244.82%	258.04%	237.70%	226.70%	218.02%	212.16%	207.06%
Intangible assets	82.08%	81.13%	88.58%	80.52%	75.79%	71.93%	69.07%	66.53%
Investments in associates	11.23%	11.20%	13.10%	12.07%	11.51%	11.07%	10.77%	10.51%
Investment securities	0.20%	0.21%	0.29%	0.27%	0.26%	0.26%	0.25%	0.25%
Deferred tax assets	2.67%	3.28%	4.31%	3.96%	4.02%	4.13%	4.21%	4.29%
Employee benefits	0.03%	0.03%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Income tax receivables	1.82%	2.07%	1.85%	2.62%	2.66%	2.73%	2.79%	2.84%
Derivatives	0.53%	0.25%	0.29%	0.27%	0.26%	0.26%	0.26%	0.25%
Trade & other receivables, net	1.41%	1.54%	3.54%	1.99%	1.99%	1.99%	1.99%	1.99%
<b>Total non-current assets</b>	<b>391.48%</b>	<b>397.17%</b>	<b>426.38%</b>	<b>393.40%</b>	<b>376.38%</b>	<b>362.92%</b>	<b>353.78%</b>	<b>345.71%</b>
Investment securities	0.16%	0.18%	0.84%	0.78%	0.76%	0.74%	0.73%	0.73%
Inventories	7.75%	8.46%	9.56%	8.27%	8.27%	8.27%	8.27%	8.27%
Income tax receivable	0.84%	1.20%	1.40%	1.13%	1.04%	0.93%	1.06%	1.28%
Derivatives	0.03%	0.44%	1.76%	1.63%	1.58%	1.55%	1.53%	1.52%
Trade & other receivables	11.67%	11.82%	10.31%	11.36%	11.36%	11.36%	11.36%	11.36%
Cash & cash equivalents	12.95%	13.83%	32.53%	24.07%	21.76%	20.00%	17.93%	15.94%
Assets classified as held for sale	0.07%	19.13%	0.16%	0.12%	0.08%	0.05%	0.03%	0.00%
<b>Total current assets</b>	<b>33.47%</b>	<b>55.06%</b>	<b>56.57%</b>	<b>47.35%</b>	<b>44.85%</b>	<b>42.89%</b>	<b>40.91%</b>	<b>39.10%</b>
<b>Total assets</b>	<b>424.95%</b>	<b>452.23%</b>	<b>482.95%</b>	<b>440.74%</b>	<b>421.22%</b>	<b>405.81%</b>	<b>394.69%</b>	<b>384.81%</b>
<b>SHAREHOLDERS EQUITY</b>								
Common Equity	35.44%	36.99%	41.29%	40.18%	40.37%	40.80%	41.62%	42.49%
Reserves	34.89%	47.55%	37.96%	37.02%	35.38%	34.08%	33.15%	32.32%
Retained earnings	47.74%	60.17%	65.85%	60.36%	57.26%	54.75%	52.95%	51.34%
Equity attributable to equity holders of AB InBev	118.07%	144.70%	145.10%	137.56%	133.01%	129.63%	127.72%	126.15%
Non-controlling interest	13.58%	16.88%	22.03%	23.54%	25.54%	27.54%	29.70%	31.81%
<b>Total equity</b>	<b>131.65%</b>	<b>161.58%</b>	<b>167.13%</b>	<b>161.09%</b>	<b>158.55%</b>	<b>157.17%</b>	<b>157.41%</b>	<b>157.96%</b>
<b>LIABILITIES</b>								
Non-current liabilities								
Interest-bearing loans & borrowings	193.31%	186.44%	203.66%	181.75%	166.04%	152.67%	141.74%	131.67%
Employee benefits	4.91%	5.44%	6.33%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred tax liabilities	24.10%	24.51%	26.93%	23.57%	23.94%	24.59%	25.08%	25.53%
Income tax payables	1.05%	1.95%	1.72%	2.31%	2.34%	2.40%	2.45%	2.50%
Derivatives	1.40%	0.67%	3.75%	3.46%	3.36%	3.29%	3.26%	3.24%
Trade & other payables	3.32%	3.71%	3.25%	2.99%	2.85%	2.74%	2.67%	2.61%
Provisions	2.11%	1.34%	1.16%	1.07%	1.02%	0.98%	0.95%	0.93%
<b>Total non-current liabilities</b>	<b>230.21%</b>	<b>224.07%</b>	<b>246.81%</b>	<b>215.15%</b>	<b>199.56%</b>	<b>186.67%</b>	<b>176.15%</b>	<b>166.46%</b>
Bank overdrafts	0.21%	0.13%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Interest-bearing loans & borrowings	7.72%	10.34%	6.57%	11.73%	10.83%	9.98%	9.29%	8.65%
Derivatives	10.21%	7.26%	10.76%	9.92%	9.63%	9.43%	9.34%	9.28%
Income tax payable	2.23%	2.57%	2.21%	3.81%	3.87%	3.97%	4.05%	4.12%
Trade payables & accrued expenses	28.40%	30.34%	33.91%	29.91%	29.91%	29.91%	29.91%	29.91%
Payroll & social security payables	1.65%	1.41%	1.71%	1.76%	1.76%	1.76%	1.76%	1.76%
Indirect taxes payable	4.82%	5.17%	5.61%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest payable	2.96%	3.21%	3.47%	3.19%	3.05%	2.93%	2.85%	2.78%
Consigned packaging	2.00%	2.11%	2.15%	1.98%	1.89%	1.82%	1.77%	1.73%
Cash guarantees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Derivatives	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dividends payable	0.61%	0.65%	0.91%	0.66%	0.68%	0.71%	0.73%	0.75%
Deferred income	0.06%	0.04%	0.06%	0.05%	0.05%	0.05%	0.05%	0.05%
Deferred consideration on acquisitions	0.30%	0.42%	0.64%	0.59%	0.56%	0.54%	0.53%	0.51%
Other payables	0.53%	0.34%	0.53%	0.46%	0.46%	0.46%	0.46%	0.46%
Trade & other payables	41.32%	43.69%	48.99%	38.61%	38.36%	38.18%	38.06%	37.96%
Provisions	1.40%	0.40%	0.47%	0.43%	0.41%	0.39%	0.38%	0.37%
Liabilities associated with assets held for sale	0.00%	2.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total current liabilities</b>	<b>63.09%</b>	<b>66.58%</b>	<b>69.01%</b>	<b>64.50%</b>	<b>63.11%</b>	<b>61.97%</b>	<b>61.13%</b>	<b>60.39%</b>
<b>Total equity &amp; liabilities</b>	<b>424.95%</b>	<b>452.23%</b>	<b>482.95%</b>	<b>440.74%</b>	<b>421.22%</b>	<b>405.81%</b>	<b>394.69%</b>	<b>384.81%</b>

## Anheuser-Busch InBev

### Weighted Average Cost of Capital (WACC) Estimation

#### Cost of Equity:

Risk-Free Rate	1.68%
Beta	1.60
Equity Risk Premium	4.88%
<b>Cost of Equity</b>	<b>9.51%</b>

#### ASSUMPTIONS:

10-year treasury bond  
Average of 2, 3, and 4 year monthly betas  
1928-2020 Geometric average over 10-yr treasury

#### Cost of Debt:

Risk-Free Rate	1.68%
Implied Default Premium	2.61%
Pre-Tax Cost of Debt	4.296%
Marginal Tax Rate	30.77%
<b>After-Tax Cost of Debt</b>	<b>2.97%</b>

10-year treasury bond

YTM on company's 22 year bond

#### Market Value of Common Equity:

Total Shares Outstanding	1,693.24
Current Stock Price	\$67.73
<b>MV of Equity</b>	<b>114,683</b>

#### MV Weights

53.58%

#### Market Value of Debt:

Current Portion of LTD	3,081
Long-Term Debt	95,478
PV of Operating Leases	782.71
<b>MV of Total Debt</b>	<b>99,342</b>

46.42%

#### Market Value of the Firm

214,025

100.00%

Estimated WACC

6.47%

**Anheuser-Busch InBev***Discounted Cash Flow (DCF) Valuation Model*

## Key Inputs:

CV Growth of NOPLAT	2.00%
CV Year ROIC	19.66%
WACC	6.47%
Cost of Equity	9.51%

	2021E	2022E	2023E	2024E	2025E
<b>DCF Model:</b>					
Free Cash Flow (FCF)	5,796.9	11,136.8	11,779.9	11,977.7	12,323.2
Continuing Value (CV)					245,873.33
Discount Factor	1.065	1.134	1.207	1.285	
PV of FCF	5,444.4	9,823.7	9,759.3	9,319.8	
PV of CV					191,312.8
Value of Operating Assets:	225,660.0				
Non-Operating Adjustments					
Add: Excess Cash and Cash Equivalents	13,505.78				
Add: Investment Securities ST	396.00				
Add: Investment Securities LT	137.00				
Add: Employee Benefits	6.00				
Add: Investments in Associates	6,143.00				
Add: Assets classified as held for sale	74.00				
Add: Derivatives ST	827.00				
Add: Derivatives LT	138.00				
Less: PV of Operating Leases	(782.71)				
Less: ESOP	(2,454.83)				
Less: Employee Benefits	(2,969.00)				
Less: Bank Overdrafts	(5.00)				
Less: Provisions LT	(544.00)				
Less: Provisions ST	(219.00)				
Less: Interest Payable	(1,625.00)				
Less: Derivatives LT	(1,759.00)				
Less: Derivatives ST	(5,046.00)				
Less: BV Minority Interest	(10,327.00)				
Less: Debt, ST Interest-bearing loans and borrowings	(98,559.00)				
Value of Equity	122,596.21				
Shares Outstanding	1,693.24				
Intrinsic Value of Last FYE	\$ 72.40				
<b>Implied Price as of Today</b>	<b>\$ 74.06</b>				

**Anheuser-Busch InBev***Economic Profit (EP) Valuation Model*

## Key Inputs:

CV Growth of NOPLAT	2.00%
CV Year ROIC	19.66%
WACC	6.47%
Cost of Equity	9.51%

	2021E	2022E	2023E	2024E	2025E
<b>EP Model:</b>					
Economic Profit (EP)	5,711.80	7,282.39	7,805.27	7,947.65	8,213.56
Continuing Value (CV)					183,601.45
Discount Factor	1.065	1.134	1.207	1.285	
PV of EP	5,364.52	6,423.77	6,466.40	6,184.02	
PV of CV					142,859.33
Total PV of EP	167,298.04				
Invested Capital (last FYE)	58,361.93				
Value of Operating Assets:	225,659.97				
Non-Operating Adjustments					
Add: Excess Cash and Cash Equivalents	13,505.78				
Add: Investment Securities ST	396.00				
Add: Investment Securities LT	137.00				
Add: Employee Benefits	6.00				
Add: Investments in Associates	6,143.00				
Add: Assets classified as held for sale	74.00				
Add: Derivatives ST	827.00				
Add: Derivatives LT	138.00				
Less: PV of Operating Leases	(782.71)				
Less: ESOP	(2,454.83)				
Less: Employee Benefits	(2,969.00)				
Less: Bank Overdrafts	(5.00)				
Less: Provisions LT	(544.00)				
Less: Provisions ST	(219.00)				
Less: Interest Payable	(1,625.00)				
Less: Derivatives LT	(1,759.00)				
Less: Derivatives ST	(5,046.00)				
Less: BV Minority Interest	(10,327.00)				
Less: Debt, ST Interest-bearing loans and borrowings	(98,559.00)				
Value of Equity	122,596.21				
Shares Outstanding	1,693.24				
Intrinsic Value of Last FYE	\$ 72.40				
<b>Implied Price as of Today</b>	<b>\$ 74.06</b>				

## Anheuser-Busch InBev

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<b>Fiscal Years Ending Dec. 31</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EPS	\$ 3.07	\$ 3.30	\$ 3.55	\$ 3.73	\$ 3.89
<b>Key Assumptions</b>					
CV growth of EPS	2.00%				
CV Year ROE	10.68%				
Cost of Equity	9.51%				
<b>Future Cash Flows</b>					
P/E Multiple (CV Year)					10.83
EPS (CV Year)					\$ 3.89
Future Stock Price					\$ 42.18
Dividends Per Share	3.13	3.36	3.62	3.81	
Discount Factor	1.10	1.20	1.31	1.44	1.44
Discounted Cash Flows	2.86	2.81	2.76	2.65	29.33
Intrinsic Value as of Last FYE	\$ 40.40				
<b>Implied Price as of Today</b>	<b>\$ 41.33</b>				

**Anheuser-Busch InBev**  
*Relative Valuation Models*

Ticker	Company	Price	EPS		P/E		Sales		P/S	
			2021E	2022E	21	22	2021E	2022E	21	22
TAP	Molson Coors Beverage	\$ 52.94	\$ 3.81	\$ 4.06	12.80	12.00	\$ 46.56	\$ 47.63	1.14	1.11
STZ	Constellation Brands	\$ 234.60	\$ 9.75	\$ 10.40	24.06	22.56	\$ 44.43	\$ 43.49	5.28	5.39
SAM	Boston Beer Company	\$ 1,290.89	\$ 22.89	\$ 29.47	<del>56.40</del>	<del>43.80</del>	\$ 201.60	\$ 251.50	6.40	5.13
DEO	Diageo	\$ 178.61	\$ 6.22	\$ 6.94	28.72	25.74	\$ 7.18	\$ 7.77	<del>24.87</del>	<del>22.98</del>
HEINY	Heineken	\$ 55.35	\$ 1.93	\$ 2.42	28.68	22.87	\$ 44.02	\$ 47.37	1.26	1.17
Average					<b>23.56</b>	<b>20.79</b>	Average		<b>3.52</b>	<b>3.20</b>

BUD Anheuser-Busch InBev \$67.73 3.07 3.30 22.1 20.6 25.47 26.71 2.66 2.54

**Implied Relative Value:**

P/E (EPS21) \$ 72.27  
P/E (EPS22) \$ 68.51  
P/S 2021 \$ 89.65  
P/S 2022 \$ 85.51

**Anheuser-Busch InBev**  
Key Management Ratios

<b>Fiscal Years Ending Dec. 31</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Liquidity Ratios:</b>								
Quick Ratio ((CA-Inventories)/(CL))	0.4077	0.7000	0.6812	0.6059	0.5796	0.5587	0.5340	0.5106
Cash Ratio ((Cash + Cash Equivalents)/(CL))	0.2078	0.2104	0.4837	0.3852	0.3567	0.3347	0.3053	0.2761
Current Ratio (CA/CL)	0.5305	0.8270	0.8197	0.7340	0.7105	0.6922	0.6692	0.6475
<b>Asset-Management Ratios:</b>								
Asset Turnover ratio (Revenue/Total Assets)	0.2353	0.2211	0.2071	0.2269	0.2374	0.2464	0.2534	0.2599
Inventory Turnover Ratio (COGS/((current inventory + previous inventory)/2))	3.8547	3.6266	3.3236	3.8146	4.0323	4.0159	3.9927	3.9869
Fixed Asset Turnover (Revenue/((current gross PPE + previous gross PPE)/2))	1.1247	1.0551	0.9192	0.9485	0.9117	0.8751	0.8351	0.7986
<b>Financial Leverage Ratios:</b>								
Debt to Asset (ST+LT Debt)/(Total Assets)	0.4731	0.4351	0.4353	0.4390	0.4199	0.4008	0.3826	0.3646
Debt to Equity (ST+LT Debt)/(Total Equity)	1.5270	1.2179	1.2579	1.2010	1.1156	1.0349	0.9594	0.8883
Debt to Capital (ST+LT Debt)/(ST+LT Debt+Total Equity)	0.6043	0.5491	0.5571	0.5457	0.5273	0.5086	0.4896	0.4704
<b>Profitability Ratios:</b>								
Return on Equity (NI/Beg TSE)	0.0709	0.1389	0.0017	0.0984	0.1002	0.1036	0.1054	0.1068
Return on Assets (NI/Total Assets)	0.2353	0.2211	0.2071	0.2269	0.2374	0.2464	0.2534	0.2599
Gross Profit Margin ((Revenue-COGS)/Revenue)	0.7052	0.6999	0.6842	0.6743	0.6743	0.6743	0.6743	0.6743
<b>Payout Policy Ratios:</b>								
Dividend Payout Ratio (Dividend/EPS)	177.68%	54.68%	-276.92%	102.09%	102.09%	102.09%	102.09%	102.09%
Total Payout Ratio ((Divs. + Repurchases)/NI)	-177.68%	-54.68%	276.92%	-102.49%	-102.49%	-102.48%	-102.48%	-102.48%

Weighted Average Cost of Capital (WACC)

	74.06	6.17%	6.27%	6.37%	6.47%	6.57%	6.67%	6.77%
CV Growth of NOPLAT	1.70%	77.51	74.42	71.47	68.63	65.92	63.31	60.81
	1.80%	79.55	76.35	73.29	70.37	67.56	64.87	62.29
	1.90%	81.69	78.37	75.20	72.17	69.27	66.49	63.82
	2.00%	83.93	80.48	77.20	74.06	71.06	68.18	65.43
	2.10%	86.28	82.70	79.29	76.03	72.92	69.95	67.10
	2.20%	88.74	85.02	81.48	78.10	74.87	71.79	68.85
	2.30%	91.34	87.46	83.77	80.26	76.91	73.72	70.67

Beta

	74.06	1.30	1.40	1.50	1.60	1.70	1.80	1.90
Equity Risk Premium	4.58%	112.71	101.27	91.23	82.34	74.43	67.33	60.93
	4.68%	109.30	98.05	88.19	79.47	71.70	64.74	58.45
	4.78%	106.01	94.97	85.28	76.71	69.08	62.24	56.07
	4.88%	102.85	91.99	82.48	74.06	66.56	59.84	53.78
	4.98%	99.81	89.13	79.78	71.50	64.13	57.53	51.57
	5.08%	96.87	86.38	77.17	69.04	61.80	55.30	49.45
	5.18%	94.04	83.72	74.67	66.67	59.54	53.16	47.40

CV Sales & Marketing as a % of Sales

	74.06	12.83%	13.33%	13.83%	14.33%	14.83%	15.33%	15.83%
CV COGS as % of Sales	29.57%	98.74	96.00	93.25	90.51	87.77	85.03	82.29
	30.57%	93.25	90.51	87.77	85.03	82.29	79.54	76.80
	31.57%	87.77	85.03	82.29	79.54	76.80	74.06	71.32
	32.57%	82.29	79.54	76.80	74.06	71.32	68.57	65.83
	33.57%	76.80	74.06	71.32	68.57	65.83	63.09	60.35
	34.57%	71.32	68.57	65.83	63.09	60.35	57.61	54.86
	35.57%	65.83	63.09	60.35	57.61	54.86	52.12	49.38

Risk-Free Rate

	74.06	1.38%	1.48%	1.58%	1.68%	1.78%	1.88%	1.98%
Cost of Equity	6.51%	78.57	76.83	75.12	73.46	71.84	70.25	68.70
	7.51%	78.79	77.04	75.33	73.66	72.03	70.44	68.89
	8.51%	79.00	77.24	75.53	73.86	72.23	70.64	69.08
	9.51%	79.21	77.45	75.73	74.06	72.42	70.82	69.26
	10.51%	79.42	77.66	75.94	74.25	72.61	71.01	69.45
	11.51%	79.63	77.86	76.13	74.45	72.80	71.20	69.63
	12.51%	79.84	78.06	76.33	74.64	72.99	71.38	69.81

Dividend Payout Ratio

	74.06	72.09%	82.09%	92.09%	102.09%	112.09%	122.09%	132.09%
Marginal Tax Rate	27.77%	77.51	77.40	77.29	77.18	77.07	76.97	76.86
	28.77%	76.49	76.38	76.26	76.15	76.04	75.93	75.82
	29.77%	75.46	75.34	75.23	75.11	74.99	74.88	74.76
	30.77%	74.42	74.30	74.18	74.06	73.94	73.82	73.70
	31.77%	73.37	73.24	73.12	73.00	72.87	72.75	72.63
	32.77%	72.31	72.18	72.05	71.92	71.80	71.67	71.55
	33.77%	71.23	71.10	70.97	70.84	70.71	70.58	70.45

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	74.06	18.16%	18.66%	19.16%	19.66%	20.16%	20.66%	21.16%
Pre-Tax Cost of Debt	2.29%	72.88	73.26	73.61	73.96	74.28	74.59	74.88
	2.79%	72.91	73.29	73.65	73.99	74.32	74.62	74.92
	3.29%	72.95	73.32	73.68	74.03	74.35	74.66	74.95
	3.79%	72.98	73.36	73.72	74.06	74.38	74.69	74.99
	4.29%	73.01	73.39	73.75	74.09	74.41	74.72	75.02
	4.79%	73.04	73.42	73.78	74.12	74.44	74.75	75.05
	5.29%	73.07	73.45	73.81	74.15	74.47	74.78	75.08

**Anheuser-Busch InBev***Valuation of Options Granted under ESOP*

Current Stock Price	\$67.73
Risk Free Rate	1.68%
Current Dividend Yield	1.33%
Annualized St. Dev. of Stock Returns	34.49%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	113.30	71.22	7.38	\$ 21.67	\$ 2,455
Total	113.30	\$ 71.22	7.38	\$ 25.92	<b>\$ 2,455</b>

**Anheuser-Busch InBev***Present Value of Operating Lease Obligations*

<b>Fiscal Years Ending Dec. 31</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Year 1	475.0	155.0	157.0
Year 2	309.3	129.5	101.3
Year 3	309.3	129.5	101.3
Year 4	309.3	129.5	101.3
Year 5	309.3	129.5	101.3
Thereafter	771.0	215.0	361.0
Total Minimum Payments	2483.0	888.0	923.0
Less: Cumulative Interest	338.2	113.5	140.3
<b>PV of Minimum Payments</b>	<b>2144.8</b>	<b>774.5</b>	<b>782.7</b>
<b>Implied Interest in Year 1 Payment</b>	<b>37.2</b>	<b>81.2</b>	<b>29.3</b>
Pre-Tax Cost of Debt	3.79%	3.79%	3.79%
Years Implied by Year 6 Payment	2.5	1.7	3.6
Expected Obligation in Year 6 & Beyond	309.25	129.5	101.25
<b>Present Value of Lease Payments</b>			
PV of Year 1	457.7	149.3	151.3
PV of Year 2	287.1	120.2	94.0
PV of Year 3	276.6	115.8	90.6
PV of Year 4	266.5	111.6	87.3
PV of Year 5	256.8	107.5	84.1
PV of 6 & beyond	600.1	169.9	275.6
Capitalized PV of Payments	2144.8	774.5	782.7