

EMEA Investing Report



Anheuser-Busch InBev
EBR: ABI - Market cap. EUR 80.02 Bn

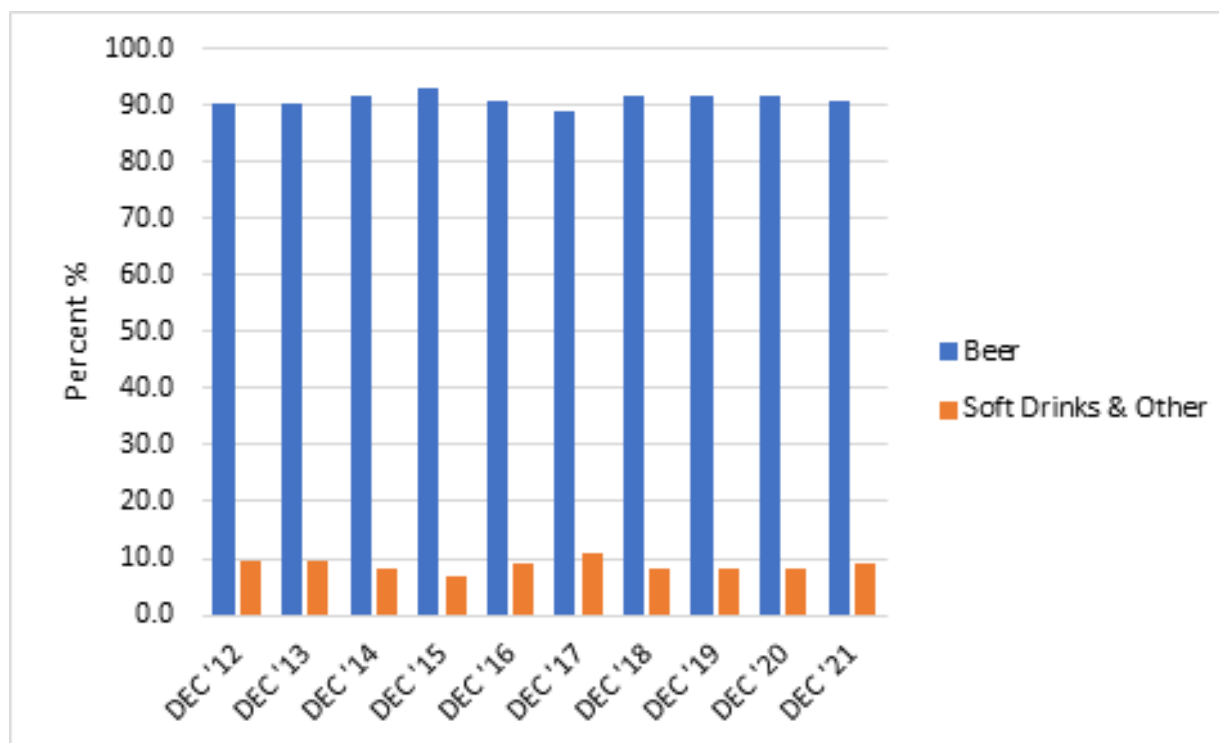




Company Description & Key Segments Overview

Anheuser-Busch InBev (AB InBev) engages in manufacturing and distributing alcoholic and non-alcoholic beverages. The Group has one of the world's largest beer portfolios and footprints, sells one out of every four beers in the world and accounts for one-third of the global beer profit pool. Within the Group, there are two operating segments, Beer and Soft Drinks and Other Business, although the Beer segment is responsible for approximately 90% of Group revenues. The Group is a global business and operates through the following geographical segments: North America, Middle Americas, South America, EMEA, Asia Pacific, and Global Export Holdings Companies. The Company was founded on August 2, 1977, and is headquartered in Leuven, Belgium.

Historic Revenue Breakdown- Source: Factset 2022



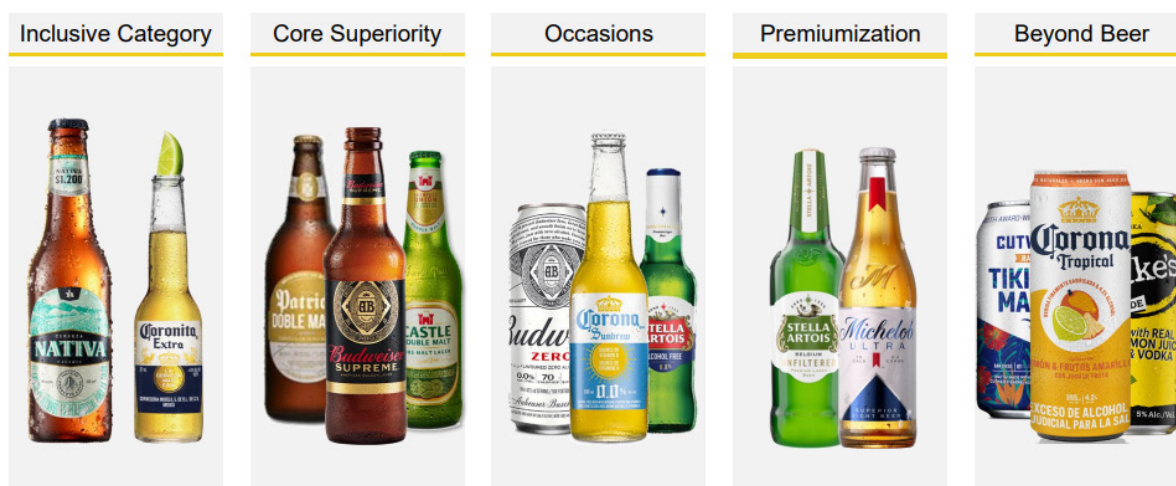


Investment Thesis

- Alcohol remains relatively sheltered during recessions.
- Group's diverse beer portfolio provides flexibility to cater to consumers' preferences and wallets.

Looking back through history, alcohol appears to remain relatively sheltered from a deteriorating economic environment. This is due to the relatively low proportion of household income it requires. Digging deeper into this, beer remains more sheltered and relatively more robust due to its lower price point than competing beverages such as spirits. While an economic downturn will generate headwinds for the Group, there may be some offsetting factors. As illustrated by Elyse Grossman and Susan Sonnenschein, alcohol consumption may increase due to increased stress, alcohol availability, and boredom. This trend was exhibited during the recent Coronavirus pandemic, which saw the number of drinks consumed and the frequency of drinking increase.

Should a prolonged economic downturn ensue, and the consumer begins to trade down their consumption preferences, the Group will be able to remain competitive. This is due to their strong brand representation across the different price points of the industry, allowing the Group to compete wherever the consumer preference may shift. While the Group has utilised price increases to offset rising supply-chain costs, Brendan Whitworth, CEO, notes, "we're very conscientious of competitiveness, very conscientious of what's happening across the rest of the world of consumer-packaged goods".



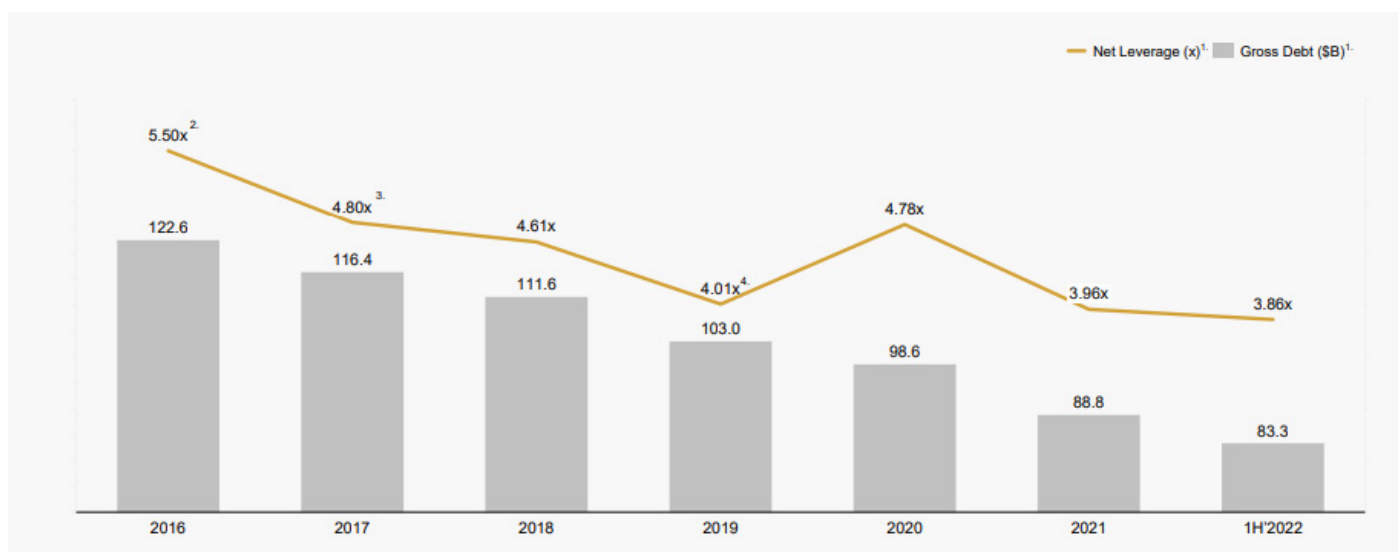


Investment Thesis

Other Areas of Note

The Group has been undergoing a deleveraging story since 2016. Through the Group's robust operating cash flows, net leverage has declined from 5.5x to 3.86x as of 1H'22. Looking at the last results, the adjusted operating cash flow was approximately USD 6,100 million, and the total capital expenditure was USD 2,000 million, resulting in a free cash flow in excess of USD 3,000 million (after deducting minority interests). While this is a healthy result, the Group invested in its working capital position, which, once monetised, will assist in achieving further debt reduction.

Anheuser-Busch InBev Net Leverage – Source: Investor Presentation 2022



Despite the progression of the debt position, investors may be concerned with the long-term debt position given the current rate environment. Dissecting the debt profile, the Group has only USD 3,200 million in principal maturing through to 2025, allowing it to build a cash position before seeking to refinance longer-term debt in the back end of the 2020s. Additionally, 94% of this debt position is fixed rate and is made up of a diverse currency mix, providing additional risk reduction.



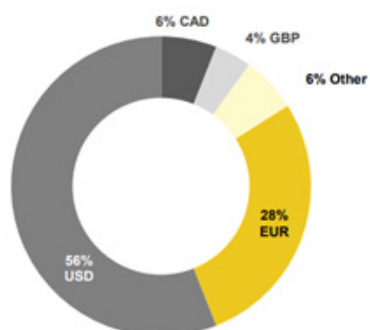
Investment Thesis

Anheuser-Busch InBev Net Leverage – Source: Investor Presentation 2022

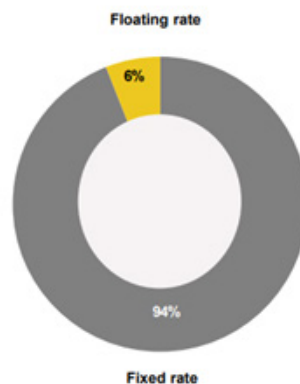


Anheuser-Busch InBev Debt Composition – Source: Investor Presentation 2022

Diverse currency mix reduces risk



94% of our bond portfolio is fixed rate





Company Performance and Financials





Catalysts

- Improving economic conditions.
- Favourable weather.
- Beer taking more share of the throat as consumers rotate away from higher-priced offerings.

Downside Risks

- Failure to deleverage further.
- Significant demand destruction occurs due to large unemployment numbers/consumer sentiment shifts.
- Additional supply-chain constraints.

ANALYST VIEW

● 23 Buys ● 9 Holds ● 2 Sell

Average price target: EUR 65.74



Contact us

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