

22nd May 2019

AB INBEV

| Consumer, Brands & Retail
| Brewers

BUY - TOP PICKS

Fair Value EUR100(+37%)
Share price EUR72.87
EPS 3Y Cagr 13.3%

Getting its act together

Successful investor conference

Yesterday, AB InBev held a well-attended conference on its US business in NYC. We came away with a strong feeling that the recent improvements in market share in the US are likely to continue. Additionally, we learned that pre-marketing on the AB InBev APAC IPO is starting today.

Improvement in US market share likely to continue

Over the past year, AB InBev's US market performance has continued to improve. In 2017, the company lost 70bp market share, 45bp in H1 2018, 35bp in H2 2018 and 10 bp in Q1 2019. Much of the improvement was driven by the new management team under Michael Doukeris, former head of China, who took the reins on 1st January 2018. It was he who, as of 2010, refocused the Chinese operations on premium, which led to a tripling in profits over the period. And he seems to be taking pretty much the same strategy in the US, setting up the company to take a larger share of growth trends: health & wellness, premiumization and consumers looking for purpose driven brands. Key (and one cannot underestimate "key") has been switching the innovation calendar from dreaming up and developing new initiatives every two years and hoping that they work (and costing each time USD50m) to creating a more punchy 100 day idea-to-market process where a whole series of small scale market trails lead to quickly identifying potential market winners (at a cost of USD0.5m per initiative) before scaling up and introducing nationally.

There is nothing better than a Happy Hour on a Monday evening

During the Happy Hour, we all enjoyed the great variety of projects the company boasts to get its fair share of market growth and we would not be surprised if AB InBev were to make market share gains over the summer. To prioritize its initiatives, the company reviewed the various price segments to execute those opportunities: 1) expand core plus (target to double market share from 6% to 13% as it is in most mature markets); 2) lead in super premium (Stella and craft command a 20% market share and the company is looking to double that), 3) disrupt premium (e.g. attracting new consumers with organic Michelob Ultra Pure Gold), 4) stabilize share of mainstream segment (creating cultural relevance for Bud Light and Budweiser - e.g. ingredient campaign behind Bud Light made from water hop barley rise) and 5) capture growth with beyond beer bringing innovations quicker to the market (look for USD1bn revenues). The depth of initiatives puts the turnaround in fortunes on a solid footing and builds good fundamentals for outperformance in the coming quarters.

Market Data

Bloomberg / Reuters	ABI BB/ABI.BR
Market Cap.	EUR123,387m
E.V.	EUR275.791m
Free Float	39,3%
Avg. Daily volume (6m)	1 986
12m high / low	EUR91.0 / EUR57.4
Ytd Perf.	26.3%

USD M	12/18	12/19e	12/20e	12/21e
Sales	54,619	55,121	56,861	58,840
% Change		0.9%	3.2%	3.5%
EBITDA	22,081	22,454	23,496	24,534
% Change		1.7%	4.6%	4.4%
EBIT	17,821	18,206	19,125	20,036
% Change		2.2%	5.0%	4.8%
Net Income	6,793	8,427	9,154	9,870
% Change		24.1%	8.6%	7.8%
ROE	0.11	0.13	0.13	0.14

	12/18	12/19e	12/20e	12/21e
EV/Sales	5.3x	5.2x	4.9x	4.7x
EV/EBITDA	13.2x	12.7x	12.0x	11.3x
EV/EBIT	16.3x	15.7x	14.7x	13.8x
EPS	3.38	4.19	4.55	4.91
% change		24.1%	8.6%	7.8%
P/E	24.1x	19.4x	17.9x	16.6x
Div Yield	1.9%	1.9%	1.9%	1.9%

Next Catalysts: Late June/Early July: Budweiser Brewing Company APAC IPO
Q2 2019 Results on 25th July.

Last rating Change:

[2018-3-2, Model maintenance post results](#)

Last FV Change:

[2018-10-26, Model maintenance post results](#)

Last Reports:

[2019-5-7, Q1 19 results](#)

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[Igniting beer back to life](#)

AB InBev has set up the IGNITE program to lead the category's future growth. On the back of extensive consumer surveys, the company's newly formed IGNITE team is helping retailers to understand consumers and advise how they can position themselves to help consumers. Key areas where the team has been working with retailers is the growth in 1) seasonable and sweeter products, 2) premiumization, 3) increase the number of styles consumers drink (consumers that drink 3 styles of beer consume 3.2x more beer than lager only drinkers), 4) exploit the USD1.9 trillion health & wellness trend through the introduction of low carb, low sugar, organic, options for moderations. And the first results are exciting. In aisle-reconfiguration programs the company has seen a 40% increase in aisle traffic (that is the number of consumers going through the aisle) and a 7% uplift in sales.

[Asian IPO pre-marketing to kick off today](#)

In the fringe of the conference we learned that pre-marketing and price discovery on the Asian IPO (Budweiser Brewing Company APAC) is kicking off today. Our fair value of that business adds to USD78bn, which in reality would likely bring the IPO value at around USD60bn.

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Distribution of stock ratings

BUY ratings 50,9%

NEUTRAL ratings 42,3%

SELL ratings 6,7%

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