

AB InBev

A complicated Quarter, but better than feared on non-operational items

Reiterate Rating: BUY | PO: 71.00 EUR | Price: 57.57 EUR

Q4 EBITDA 6% below consensus, EPS 9% ahead

Q4 results are a mixed bag, with EBITDA \$4,877m (6% below consensus), but EPS \$0.82 (9% ahead). The EBITDA miss is primarily driven by South America (FX in Argentina;) and North America (organic growth below cons, with no pricing in Q4, although slightly above BofAe). The beat on EPS is mainly driven by a lower tax rate (16.7% in Q4) and lower interest charge. For the Full-Year, the EBITDA miss is 1.6% and EPS beat 2%. Headline organics for Q4 are: volume -2.5% (vs cons. -2.0%, BofAe -2.6%), sales +6.2% (cons +6.1%, BofAe +5.2%) and EBITDA +6.2% (cons +5.3%), with flat margin (consensus -26bps). Organic sales and EBITDA boosted by high pricing in Argentina. Excluding LatAm South, we estimate that org. EBITDA would have been c-2% in Q4 (vs BofAe -1.2%). FY dividend €0.82 (cons. €1.00). Not announcing new tranche of buy back.

Regional colour for Q4

N. America volume below cons. (-15% vs cons. -12%, due to shipment phasing in Dec, but US Sales-to-Retailers -12%) and US price/mix -1%. APAC volume declined 2.6% (vs cons. +0.6%) and Middle Americas +0.9% was slightly below. Brazil beer volume -1% in line with BofAe. Colombia volume strong (+mid-single); Mexico in line (down low-single).

2024 guidance

Management guiding to organic EBITDA +4-8%, which for 2024 will exclude most of the impact of hyperinflation in Argentina (Argentina pricing in org. sales capped at 2% per month). Consensus is at +8.7% org. EBITDA (but this includes all Argentina pricing, so not fully comparable with guidance). Non-operational guidance: (1) tax rate 27-29% (cons 28.0%, BofAe 32%). Seems reassuring, but it is not clear what it includes regards recent fiscal change in Brazil; (2) avg gross debt coupon 4%; (3) pension & accretion expenses \$220-250m/quarter (a bit higher than previous years, cons \$861m for year).

We reiterate Buy

Q4 was expected to be a messy quarter on non-operational items, On balance it seems reassuring. Consensus downgrades seem unlikely. Stock trades on 18x 12m fwd PE.

Exhibit 1: ABI's 4Q/FY23 results vs expectation

Q4 EBITDA 6% below consensus, EPS 9% ahead

	1Q23	2Q23	3Q23	4Q23A	FY23A	FY23E	FY Cons	Var (%)
Organic volume	0.9%	-1.4%	-3.4%	-2.5%	-1.7%	-1.7%	-1.6%	-0.1pp
Price/mix	12.2%	8.8%	8.7%	9.0%	9.7%	9.4%	9.5%	0.1pp
Organic sales	13.1%	7.2%	5.0%	6.2%	7.8%	7.5%	7.8%	0.0pp
Organic EBITDA	13.6%	4.9%	4.1%	6.2%	7.0%	6.7%	6.7%	0.3pp
EBITDA (\$ mln)	4,759	4,909	5,431	4,877	19,976	20,147	20,292	-1.6%
EPS underlying (\$)	0.65	0.72	0.86	0.82	3.05	2.93	2.99	2.1%

Source: Company reports, BofA Global Research estimates, Company compiled consensus

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29 February 2024

Equity

Andrea Pistacchi >>

Research Analyst
MLI (UK)
+44 20 7996 4938
andrea.pistacchi@bofa.com

Victor Beltran-Segarra >>

Research Analyst
MLI (UK)
+44 20 7996 4368
victor.beltran-segarra@bofa.com

Stock Data

Price (Common / Common /	57.57 EUR / 1,191 ZAR /
ADR)	62.45 USD
Price Objective	71.00 EUR / 1,440 ZAR /
	78.00 USD
Date Established	11-Jan-2024 / 11-Jan-2024 /
	11-Jan-2024
Investment Opinion	B-1-7 / B-1-7 / B-1-7
52-Week Range	49.17 EUR-62.01 EUR
Market Val / Shares Out	117,270 EUR / 2,037.0
(mn)	
Average Daily Value (mn)	77.92 USD
BofA Ticker / Exchange	BUDFF / ENB
BofA Ticker / Exchange	XAIBF / JNB
BofA Ticker / Exchange	BUD / NYS
Bloomberg / Reuters	ABI BB / ABI.BR
ROE (2023E)	7.8%
Free Float	56.1%
ESGMeter™	High

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4Q/FY23 results in summary

The following table summarizes ABI's 4Q/FY23 results.

Exhibit 2: ABI's 4Q/FY23 results vs expectations

Q4 EBITDA 6% below consensus, EPS 9% ahead

	1Q23	2Q23	3Q23	4Q23A	4Q23E	4Q Cons	Var (%)	FY23A	FY23E	FY Cons	Var (%)
Revenue (\$m)	14,213	15,120	15,574	14,473	15,079	15,380	-5.9%	59,380	59,986	60,286	-1.5%
EBITDA (\$m)	4,759	4,909	5,431	4,877	5,052	5,188	-6.0%	19,976	20,147	20,292	-1.6%
Margin (%)	33.5%	32.5%	34.9%	33.7%	33.5%	33.7%	0.0p	33.6%	33.6%	33.7%	0.0p
Organic Expansion (bps)	11	-70	-29	0	-7	-26		-25	-25	-37	
Divisional EBITDA (\$m):											
North America	1,350	1,189	1,231	957	908	1,022	-6.3%	4,727	4,681	4,792	-1.3%
Middle Americas	1,578	1,916	2,051	2,170	2,276	2,187	-0.8%	7,715	7,821	7,732	-0.2%
South America	1,029	738	1,012	1,105	1,245	1,244	-11.2%	3,884	4,025	4,023	-3.5%
EMEA	462	680	753	675	663	709	-4.7%	2,570	2,553	2,603	-1.3%
APAC	628	645	625	288	275	278	3.4%	2,186	2,169	2,176	0.5%
GEHC	-290	-257	-240	-319	-316	-290	10.1%	-1,106	-1,102	-1,074	3.0%
EBIT (normalised)	3,503	3,569	4,027	3,491	3,650	3,810	-8.4%	14,590	14,749	14,914	-2.2%
Net finance income	-1,237	-1,283	-1,223	-1,290	-1,229	-1,208	6.8%	-5,033	-4,972	-4,950	1.7%
net interest	-806	-824	-789	-712	-775	-748	-4.8%	-3,131	-3,194	-3,126	0.2%
other financial charges	-431	-459	-434	-578	-454	-461	25.4%	-1,902	-1,778	-1,837	3.5%
Share of associates	50	55	95	95	81	94	1.4%	295	281	294	0.3%
Tax (normalised)	-607	-636	-707	-368	-654	-708	-48.1%	-2,322	-2,603	-2,576	-9.9%
Tax rate (%)	26.8%	27.8%	25.2%	16.7%	27.0%			24.3%	26.6%		
Minorities	-409	-269	-494	-378	-447	-482	-21.5%	-1,550	-1,619	-1,643	-5.6%
Net profit (underlying)	1,310	1,452	1,735	1,661	1,402	1,515	9.6%	6,158	5,899	6,001	2.6%
EPS (underlying)	0.65	0.72	0.86	0.82	0.70	0.75	8.8%	3.05	2.93	2.99	2.1%
FX on EBITDA	-299	-263	-145	-305	-477			-1,012	-1,133		
Organic volume growth (%)											
North America	-1.0%	-14%	-17%	-15.2%	-15%	-12%	-2.8p	-12%	-12%	-11%	-0.6p
Middle Americas	0.1%	0.3%	1.7%	0.7%	2.0%	2.0%	-1.3p	0.7%	1.0%	1.0%	-0.3p
South America	-0.2%	-1.9%	-2.2%	-0.3%	-1.6%	-1.6%	1.3p	-1.1%	-1.5%	-1.5%	0.4p
EMEA	-1.0%	-0.1%	-1.5%	-0.6%	-1.4%	-0.3%	-0.3p	-0.8%	-1.0%	-0.7%	-0.1p
APAC	9.0%	9.5%	0.2%	-2.8%	-0.2%	0.6%	-3.4p	4.3%	4.8%	4.9%	-0.6p
Group	0.9%	-1.4%	-3.4%	-2.5%	-2.6%	-2.0%	-0.5p	-1.7%	-1.7%	-1.6%	-0.1p
Organic sales growth (%)											
North America	5.1%	-9.0%	-13%	-15.5%	-15%	-11%	-4.2p	-8.3%	-8.1%	-7.3%	-1.0p
Middle Americas	11%	10%	11%	5.1%	9.1%	8.1%	-2.9p	9.2%	10.3%	10.0%	-0.8p
South America	32%	24%	23%	29.6%	25%	23%	6.8p	27%	26%	25%	2.2p
EMEA	9.4%	12.0%	9.9%	11.7%	5.8%	8.4%	3.4p	10.8%	9.4%	10.0%	0.8p
APAC	13%	14.5%	5.1%	6.9%	6.3%	6.1%	0.8p	10.0%	9.9%	9.8%	0.2p
Group	13%	7.2%	5.0%	6.2%	5.2%	6.1%	0.1p	7.8%	7.5%	7.8%	0.0p
EBITDA (%)											
North America	0.3%	-24%	-27%	-31.7%	-35%	-26%	-6.0p	-21%	-22%	-20%	-1.3p
Middle Americas	7.4%	15%	14%	7.3%	12%	9.1%	-1.7p	11.1%	12.5%	11.6%	-0.5p
South America	53%	47%	55%	53.0%	46%	30%	22.6p	52%	49%	44%	8.3p
EMEA	2.7%	7.2%	6.1%	5.6%	-2.2%	7.7%	-2.1p	5.6%	3.5%	5.8%	-0.2p
APAC	11%	10.7%	3.3%	21.3%	18.0%	18.8%	2.4p	9.8%	9.4%	9.5%	0.3p
Group	13.6%	4.9%	4.1%	6.2%	5.0%	5.3%	0.9p	7.0%	6.7%	6.7%	0.3p

Source: Company reports, BofA Global Research estimates, Company compiled consensus

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Price objective basis & risk

Anheuser-Busch InBev (BUDFF / BUD)

Our PO is PE-based. Applying a 12 month forward PE of c19.5x, consistent with c5% premium to staples to our Nov-25 EPS estimate of €3.61 (\$3.95 converted into EUR at a rate of 1.095) we derive our PO of €71 (US\$ 78). We expect the PE to rerate as investors get more confident that ABI's margins are inflecting. We apply a c5% premium given top-down attractions of the stock in the current environment, attractive earnings growth and deleverage.

Risks: (1) the increased competitive environment could continue to weigh on margins more than we assume, (2) longer term volume/profit impact from Bud Light consumer backlash could be greater than we assume, (3) FX (in the majority of its emerging markets, ABI is exposed to transactional FX risk, as a large portion of CoGS is denominated in hard currency, while revenues are in local currency), (4) input cost inflation, (5) softer demand for beer, with consumer disposable income impacted by inflationary pressures, (6) Altria stake overhang

Anheuser-Busch InBev SA (XAIBF)

Our PO is PE-based. Applying a 12 month forward PE of c19.5x, consistent with c5% premium to staples to our Nov-25 EPS estimate of \$3.95 (converted into ZAR at a rate of 18.6) we derive our PO of ZAR 1440. We expect the PE to rerate as investors get more confident that ABI's margins are inflecting. We apply a c5% premium given top-down attractions of the stock in the current environment, attractive earnings growth and deleverage.

Risks: (1) the increased competitive environment could continue to weigh on margins more than we assume, (2) longer term volume/profit impact from Bud Light consumer backlash could be greater than we assume, (3) FX (in the majority of its emerging markets, ABI is exposed to transactional FX risk, as a large portion of CoGS is denominated in hard currency, while revenues are in local currency), (4) input cost inflation, (5) softer demand for beer, with consumer disposable income impacted by inflationary pressures, (6) Altria stake overhang.

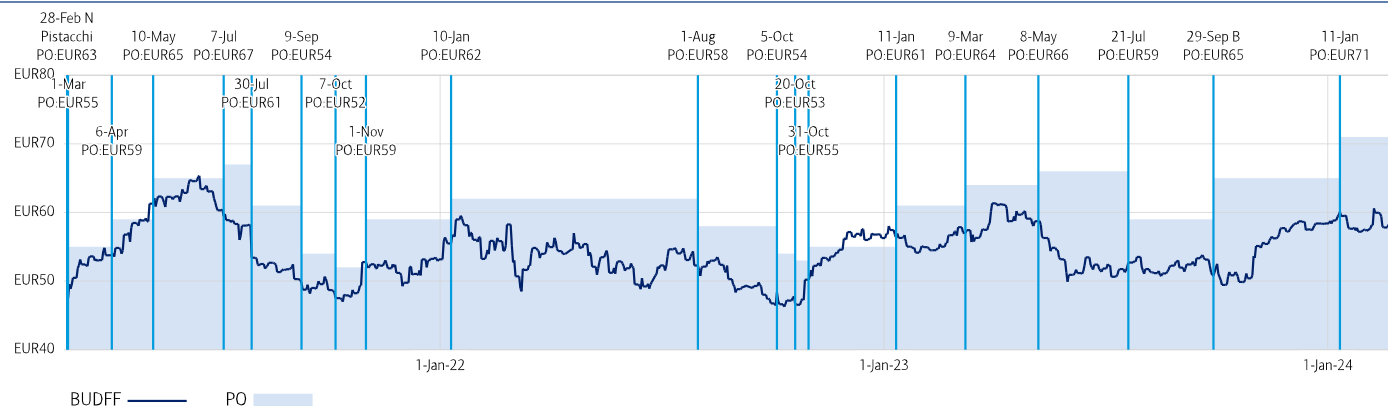
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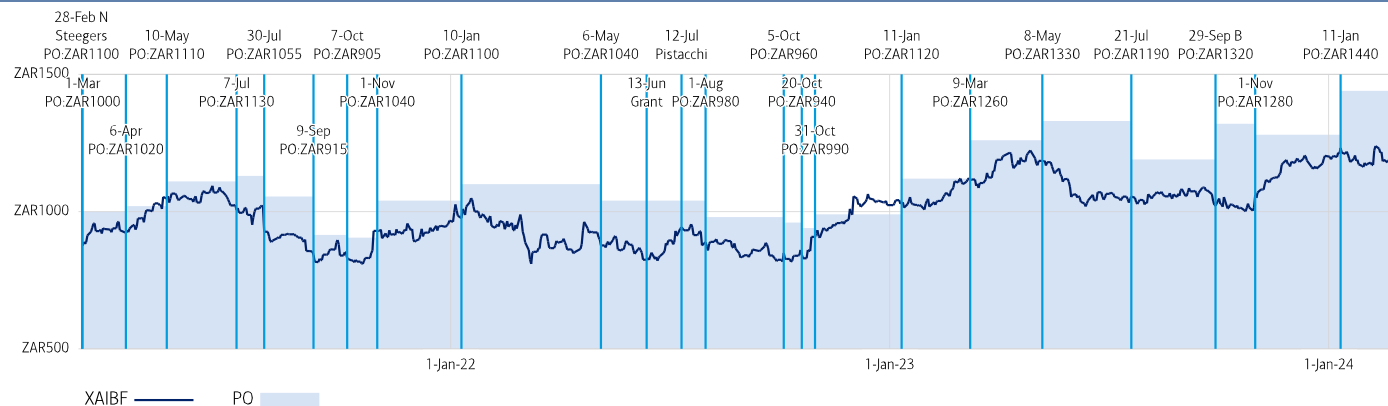
AB InBev (BUDFF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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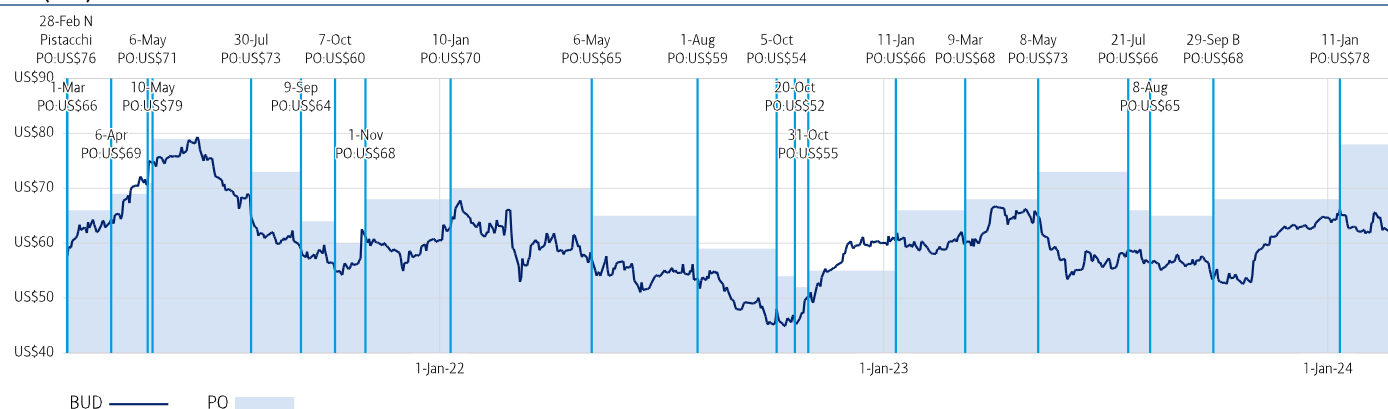
AB InBev SA (XAIBF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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AB InBev (BUD) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Beverages - Alcoholic Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	22	61.11%	Buy	15	68.18%
Hold	6	16.67%	Hold	4	66.67%
Sell	8	22.22%	Sell	2	25.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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