

## AB InBev

# Reiterating Buy (after share price run in Nov-Dec)

Reiterate Rating: BUY | PO: 71.00 EUR | Price: 60.09 EUR

## We reiterate Buy

We update our investment case, in the context of our EU Beverages Year Ahead report. The shares have had a good run since Q3 results, but we see further upside this year, as (1) we believe margins are inflecting; (2) leverage should fall well below 3x in 2024, for the first time since 2015, providing more options for capital allocation, with scope for increased buy-backs potentially (non-material impact on EPS, but positive to sentiment); (3) US market share is slowly but steadily improving. Consensus is not factoring in an improvement going forward, which probably leaves some upside risk; (4) top-down, ABI ticks the right boxes in the current uncertain environment, in our opinion, with its large exposure to LatAm, which we expect will be resilient for beer and slight COGS deflation underpinning 21% EPS growth in 2024, best in large cap EU staples.

## Why we believe margins are inflecting

As we discussed in our Sep-23 [upgrade report](#), we believe that ABI over the last few years has transformed its business in many of its key markets (mainly LatAm), with a more effective portfolio strategy, stepped up innovation and digitizing its route-to-market. The commercial transformation (and facing increased competition in some markets) has led to better top-line performance, however this has come at a higher cost of doing business, in our view, which has weighed on margins in addition to external cost pressures. ABI's margins have fallen >700bps over 2018-23e, declining every year. That said, the higher cost of doing business is now in the base, we believe, and with input cost pressures now easing and c\$1bn of permanent profit damage from *Bud Light* also in the base, we believe margins are inflecting. We expect c300bps margin increase in the next 3 years (+210bps in 2024 vs consensus +105bps), which should drive much better profit growth going forward: +7.3% organic EBITDA CAGR 2023-26e (excluding LatAm South/Argentina), top quartile in global staples, and +15% EPS CAGR. We note that ABI margins surprised on the upside at recent Q2 and Q3 results.

## Small changes to estimates, PO increased \$78 (€71)

We trim FY23-25E EPS c2%, largely driven by FX, ABI trades on c19x 12m fwd PE on BofAe, broadly in line with staples, while on EV/NOPAT the stock is still on an attractive discount. Our new \$78 (€71) PO, reflects a higher target PE of c19.5x (was from c16x), driven by peer rerating and a higher target premium to staples (c5% vs prev. c-5%), given top-down attractions of the stock in the current environment, attractive earnings growth and deleverage.

Estimates (Dec) (USD)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted Diluted)	2.82	2.97	2.90	3.50	3.95
EPS Change (YoY)	14.6%	5.3%	-2.5%	20.7%	13.0%
Dividend / Share	0.50	0.75	1.00	1.20	1.40
Valuation (Dec)					
P/E	24.2x	21.6x	22.9x	18.8x	16.7x
Dividend Yield	0.76%	1.14%	1.52%	1.83%	2.13%
EV / EBITDA*	11.1x	10.8x	10.6x	9.54x	9.01x
Free Cash Flow Yield*	7.11%	6.62%	6.59%	8.27%	9.02%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 7.

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**Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.**

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Timestamp: 11 January 2024 12:30AM EST

11 January 2024

## Equity

### Key Changes

(US\$)	Previous	Current
Price Obj.	EUR65.00	EUR71.00
2023E EPS	2.97	2.90
2024E EPS	3.58	3.50
2025E EPS	4.03	3.95
2023E EBITDA (m)	20,409.8	20,287.5
2024E EBITDA (m)	22,328.8	22,445.9
2025E EBITDA (m)	23,658.1	23,753.0

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## Stock Data

Price (Common / Common / 60.09 EUR / 1,211 ZAR / ADR)	66.15 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 (mn)	122,403 EUR / 2,037.0
Average Daily Value (mn)	77.70 USD
BofA Ticker / Exchange	BUDFF / ENB
BofA Ticker / Exchange	XAIBF / JNB
BofA Ticker / Exchange	BUD / NYS
Bloomberg / Reuters	ABI BB / ABI.BR
ROE (2023E)	7.9%
Free Float	56.1%
ESGMeter™	High

**ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".**

# iQprofile<sup>SM</sup> AB InBev

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(US\$ Millions)					
Sales	54,304	57,786	60,259	62,878	65,614
EBITDA Adjusted	19,209	19,842	20,288	22,446	23,753
Depreciation & Amortization	(4,771)	(5,075)	(5,410)	(5,626)	(5,832)
EBIT Adjusted	14,438	14,767	14,877	16,820	17,921
Net Interest & Other Income	(5,608)	(4,993)	(4,876)	(3,947)	(3,578)
Tax Expense / Benefit	(2,350)	(1,928)	(2,525)	(3,274)	(3,680)
Net Income (Adjusted)	5,774	6,093	5,943	7,129	8,053
Average Fully Diluted Shares Outstanding	2,044	2,049	2,050	2,038	2,036

## Key Cash Flow Statement Data

Net Income (Reported)	4,670	6,267	5,557	7,788	8,715
Depreciation & Amortization	4,771	5,075	5,410	5,626	5,832
Change in Working Capital	2,459	(346)	(573)	309	320
Deferred Taxation Charge	0	0	0	0	0
Other CFO	2,899	2,302	3,001	2,007	2,052
<b>Cash Flow from Operations</b>	<b>14,799</b>	<b>13,298</b>	<b>13,395</b>	<b>15,730</b>	<b>16,919</b>
Capital Expenditure	(5,498)	(4,838)	(4,692)	(4,872)	(5,084)
(Acquisition) / Disposal of Investments	(444)	(70.0)	72.0	(360)	0
Other CFI	65.0	288	10.0	0	0
<b>Cash Flow from Investing</b>	<b>(5,877)</b>	<b>(4,620)</b>	<b>(4,610)</b>	<b>(5,232)</b>	<b>(5,084)</b>
Share Issue / (Repurchase)	0	0	(320)	(680)	0
Cost of Dividends Paid	(2,364)	(2,442)	(3,177)	(4,020)	(4,614)
Increase (decrease) debt	(9,733)	(8,838)	(2,509)	(5,000)	(5,000)
Other CFF	499	660	(1,985)	(1,200)	(1,204)
<b>Cash Flow from Financing</b>	<b>(11,598)</b>	<b>(10,620)</b>	<b>(7,992)</b>	<b>(10,900)</b>	<b>(10,818)</b>
<b>Total Cash Flow (CFO + CFI + CFF)</b>	<b>(2,676)</b>	<b>(1,942)</b>	<b>794</b>	<b>(402)</b>	<b>1,017</b>
FX and other changes to cash	(499)	(451)	191	0	0
Change in Cash	(3,175)	(2,393)	985	(402)	1,017
Change in Net Debt	(6,558)	(6,445)	(3,494)	(4,598)	(6,017)
Net Debt	76,184	69,739	66,245	61,647	55,630

## Key Balance Sheet Data

Property, Plant & Equipment	26,678	26,671	26,024	25,346	24,672
Goodwill	115,796	113,010	113,010	113,010	113,010
Other Intangibles	40,430	40,209	40,137	40,062	39,987
Other Non-Current Assets	10,774	9,867	11,698	14,705	16,829
Trade Receivables	381	813	848	885	923
Cash & Equivalents	12,646	10,253	11,238	10,836	11,853
Other Current Assets	10,921	12,120	13,023	13,520	14,036
Total Assets	217,626	212,943	215,979	218,363	221,311
Long-Term Debt	87,422	78,963	76,454	71,454	66,454
Other Non-Current Liabilities	16,682	15,318	15,955	16,638	17,352
Short-Term Debt	1,408	1,029	1,029	1,029	1,029
Other Current Liabilities	32,776	33,354	34,218	35,350	36,528
Total Liabilities	138,288	128,664	127,655	124,471	121,363
Total Equity	79,340	84,278	88,324	93,893	99,948
Total Equity & Liabilities	217,628	212,942	215,979	218,363	221,311

## Business Performance\*

Return On Capital Employed	5.40%	6.46%	6.04%	6.82%	7.19%
Return On Equity	8.45%	8.58%	7.89%	8.91%	9.41%
Operating Margin	25.0%	24.6%	23.3%	25.8%	26.4%
Free Cash Flow (MM)	9,366	8,748	8,714	10,858	11,835

## Quality of Earnings\*

Cash Realization Ratio	2.56x	2.18x	2.25x	2.21x	2.10x
Asset Replacement Ratio	1.15x	0.95x	0.87x	0.87x	0.87x
Tax Rate	28.6%	20.2%	26.7%	26.1%	26.2%
Net Debt/Equity	96.0%	82.7%	75.0%	65.7%	55.7%
Interest Cover	3.01x	3.18x	2.99x	3.49x	4.01x

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Brewers

## Company Description

AB InBev is the largest brewer in the world, with operations in most markets globally. It is present in most of the important profit pools, where it holds No.1 or No. 2 positions. Its main brands are Budweiser, Beck's, Stella Artois and Corona, but the group also owns numerous local brands.

## Investment Rationale

Volume momentum has started to turn and should continue to improve over the next 12 months. With easy comps, tailwinds from (slight) COGS deflation, lower transatlantic shipment costs and Distell synergies, we expect Heineken to deliver c10% organic EBIT growth in 2024, even in the current challenging environment, with upside risk. Discount to staples unjustified. We expect rerating, as volume improves over the coming quarters and investors get more comfortable with 2024 consensus expectations.

## Stock Data

Price to Book Value

1.7x

## Quarterly Earnings Estimates

	2022	2023
Q1	0.59A	0.64A
Q2	0.72A	0.71A
Q3	0.82A	0.85A
Q4	0.85A	0.71E

# Changes to estimates

The following table summarizes the changes to our estimates.

## Exhibit 1: AB-Inbev: changes to BofA estimates

We cut 2023-25 EPS c2%, mainly on FX (Argentine Peso devaluation)

	4Q23			FY23E			FY24E			FY25E		
	New ests.	Old ests.	Change	New ests.	Old ests.	Change	New ests.	Old ests.	Change	New ests.	Old ests.	Change
Revenue (\$m)	15,352	15,527	-1.1%	60,259	60,434	-0.3%	62,879	62,612	0.4%	65,614	65,300	0.5%
EBITDA (\$m)	5,189	5,311	-2.3%	20,288	20,410	-0.6%	22,441	22,329	0.5%	23,753	23,658	0.4%
North America	991	1,009	-1.8%	4,764	4,782	-0.4%	5,023	4,974	1.0%	5,012	4,963	1.0%
Middle Americas	2,237	2,212	1.1%	7,782	7,757	0.3%	8,909	8,612	3.4%	9,580	9,226	3.8%
South America	1,299	1,398	-7.1%	4,079	4,174	-2.3%	4,531	4,831	-6.2%	4,860	5,238	-7.2%
EMEA	690	684	0.9%	2,579	2,573	0.3%	2,752	2,698	2.0%	2,930	2,876	1.9%
APAC	287	292	-1.8%	2,181	2,186	-0.2%	2,359	2,315	1.9%	2,529	2,480	2.0%
GEHC	-316	-284	11.0%	-1,102	-1,070	2.9%	-1,133	-1,101	2.9%	-1,158	-1,125	2.9%
EBIT (normalised)	3,777	3,893	-3.0%	14,876	14,992	-0.8%	16,814	16,739	0.4%	17,921	17,846	0.4%
Net finance income	-1,231	-1,219	0.9%	-4,974	-4,962	0.2%	-4,821	-4,659	3.5%	-4,465	-4,353	2.6%
Net interest	-777	-765	1.5%	-3,196	-3,184	0.4%	-3,027	-2,852	6.1%	-2,720	-2,596	4.8%
Other (excl. shares MTM)	-454	-454	0.0%	-1,919	-1,919	0.0%	-1,924	-1,936	-0.6%	-1,874	-1,887	-0.7%
Share of associates	81	78	3.7%	281	278	1.0%	295	283	4.5%	319	305	4.5%
Tax (normalised)	-688	-722	-4.8%	-2,637	-2,671	-1.3%	-3,358	-3,322	1.1%	-3,768	-3,710	1.5%
Tax rate (%)	27.0%	27.0%	0bps	26.6%	26.6%	0bps	28.0%	27.5%	50bps	28.0%	27.5%	50bps
Minorities	-494	-436	13.3%	-1,666	-1,608	3.6%	-1,801	-1,751	2.8%	-1,954	-1,876	4.2%
Net profit (underlying)	1,446	1,594	-9.3%	5,943	6,091	-2.4%	7,129	7,290	-2.2%	8,053	8,211	-1.9%
EPS (u/lying) - basic	0.72	0.79	-9.2%	2.95	3.02	-2.4%	3.56	3.64	-2.2%	4.03	4.10	-1.8%
EPS (underlying) - fd	0.71	0.78	-9.2%	2.90	2.97	-2.4%	3.50	3.58	-2.2%	3.95	4.03	-1.8%
FX on EBITDA	-304	36	-954.6%	-716	-626	14.4%	-984	-469	109.8%	-346	-142	142.8%
USDBRL	4.89	5.06	-3.3%	4.99	5.02	-0.5%	4.89	5.05	-3.3%	4.89	5.05	-3.3%
USDMXN	17.08	18.06	-5.5%	17.74	17.86	-0.7%	17.08	18.05	-5.4%	17.08	18.05	-5.4%
USDCOP	3,948	4,151	-4.9%	4,320	4,339	-0.4%	3,948	4,119	-4.1%	3,948	4,119	-4.1%
Organic volume growth (%)												
North America	-12.6%	-12.4%	-0.2%	-11.5%	-11.5%	0.0%	-2.0%	-2.6%	0.6%	-1.9%	-1.9%	0.0%
Middle Americas	2.7%	3.1%	-0.4%	1.2%	1.3%	-0.1%	1.4%	1.8%	-0.3%	2.5%	2.5%	0.0%
South America	-1.0%	0.2%	-1.2%	-1.3%	-1.0%	-0.3%	0.4%	2.4%	-2.0%	3.1%	2.8%	0.3%
o/w Brazil	0.9%	2.5%	-1.6%	0.2%	0.7%	-0.5%	2.2%	2.4%	-0.2%	2.7%	3.0%	-0.3%
EMEA	0.2%	1.0%	-0.8%	-0.6%	-0.4%	-0.2%	0.8%	1.4%	-0.6%	2.3%	2.3%	-0.1%
APAC	3.2%	4.7%	-1.5%	5.4%	5.6%	-0.3%	1.3%	1.3%	0.0%	1.0%	1.0%	0.0%
Group	-1.3%	-0.5%	-0.8%	-1.4%	-1.2%	-0.2%	0.5%	1.1%	-0.7%	1.7%	1.7%	0.1%
Organic sales growth (%)												
North America	-12.2%	-12.0%	-0.2%	-7.5%	-7.5%	0.0%	-0.2%	-0.8%	0.7%	-0.2%	-0.2%	0.0%
Middle Americas	8.3%	9.3%	-1.0%	10.1%	10.3%	-0.3%	6.0%	6.4%	-0.3%	6.3%	6.1%	0.2%
South America	25.3%	24.2%	1.1%	25.8%	25.5%	0.3%	28.5%	16.6%	11.9%	14.3%	9.0%	5.3%
o/w Brazil	5.5%	7.2%	-1.7%	8.6%	9.1%	-0.5%	6.7%	7.1%	-0.4%	6.9%	7.0%	-0.1%
EMEA	8.2%	9.6%	-1.4%	10.0%	10.3%	-0.4%	4.1%	4.4%	-0.3%	5.4%	5.4%	-0.1%
APAC	9.4%	11.0%	-1.6%	10.4%	10.7%	-0.3%	4.1%	3.9%	0.2%	4.2%	4.2%	0.0%
Group	6.3%	6.7%	-0.4%	7.7%	7.8%	-0.1%	8.7%	6.1%	2.5%	6.0%	4.9%	1.1%
ex LAS/Arg	1.6%	2.5%	-0.9%	3.8%	4.1%	-0.3%	4.0%	4.0%	0.0%	4.3%	4.5%	-0.2%
EBITDA (%)												
North America	-28.9%	-26.4%	-2.5%	-20.4%	-19.9%	-0.6%	5.3%	4.9%	0.4%	-0.2%	-0.2%	0.0%
Middle Americas	10.2%	10.9%	-0.7%	11.9%	12.1%	-0.2%	11.2%	11.0%	0.2%	7.5%	7.1%	0.4%
South America	46.0%	41.5%	4.5%	49.2%	47.7%	1.4%	41.9%	24.1%	17.8%	14.9%	11.4%	3.5%
o/w Brazil	25.7%	28.6%	-2.9%	25.6%	26.5%	-0.9%	15.2%	15.6%	-0.4%	9.6%	9.5%	0.1%
EMEA	1.6%	1.8%	-0.2%	4.5%	4.6%	0.0%	5.9%	6.5%	-0.6%	6.5%	6.6%	-0.1%
APAC	23.2%	27.2%	-4.0%	10.0%	10.4%	-0.4%	9.1%	8.9%	0.2%	7.2%	7.2%	0.0%
Group	6.7%	7.0%	-0.3%	7.1%	7.2%	-0.1%	15.5%	11.9%	3.6%	7.4%	6.6%	0.8%
Group ex LatAm South/ARG	0.6%	1.8%	-1.2%	2.3%	2.7%	-0.4%	9.9%	9.9%	0.0%	6.1%	6.0%	0.1%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

# Financial Summaries

## Exhibit 2: ABI - Income statement and CF statement summaries (FY17-FY27e)

We forecast 21% EPS growth in 2024

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
<b>Income Statement</b>											
Sales	56,444	54,619	52,329	46,880	54,304	57,786	60,259	62,878	65,614	68,488	71,497
Gross profit	35,068	34,261	31,967	27,247	31,207	31,482	32,535	35,021	36,647	38,388	40,233
<b>EBITDA (normalised)</b>	<b>22,084</b>	<b>22,080</b>	<b>21,078</b>	<b>17,321</b>	<b>19,209</b>	<b>19,842</b>	<b>20,288</b>	<b>22,446</b>	<b>23,753</b>	<b>25,149</b>	<b>26,604</b>
EBITDA Margin	39%	40%	40%	37%	35%	34%	34%	36%	36%	37%	37%
EBIT (normalised)	17,814	17,821	16,421	12,723	14,438	14,768	14,876	16,814	17,921	19,086	20,298
Net finance income	-5,814	-6,747	-4,355	-5,959	-4,802	-4,647	-4,974	-4,821	-4,465	-4,203	-3,930
Net interest	-4,005	-3,790	-3,739	-3,854	-3,561	-3,295	-3,196	-3,027	-2,720	-2,438	-2,143
Other financial charges	-1,809	-2,957	-616	-2,105	-1,241	-1,352	-1,778	-1,794	-1,744	-1,765	-1,787
PBT (normalised)	11,999	11,074	12,066	6,764	9,636	10,121	9,903	11,993	13,456	14,883	16,368
Tax	-2,731	-3,079	-2,780	-2,087	-2,712	-2,324	-2,637	-3,358	-3,768	-4,167	-4,583
Tax rate	22.2%	24.0%	24.9%	26.2%	28.1%	23.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Share of associates	429	153	152	156	248	299	281	295	319	344	372
Minorities	-1,186	-1,323	-1,243	-797	-1,443	-1,628	-1,666	-1,801	-1,954	-2,142	-2,326
Underlying net profit	8,257	8,567	7,196	5,022	5,774	6,093	5,943	7,129	8,053	8,918	9,831
Underlying EPS (FD)	4.11	4.26	3.55	2.47	2.82	2.97	2.90	3.50	3.95	4.38	4.83
EPS Growth (%)	37.7%	3.7%	-11.5%	-30.6%	14.6%	5.3%	-2.5%	20.7%	13.0%	10.7%	10.2%
Dividend (€)	3.60	1.80	1.30	0.50	0.50	0.75	1.00	1.20	1.40	1.70	2.00
#Shares (fully diluted)	2,010	2,011	2,026	2,037	2,044	2,049	2,050	2,038	2,036	2,036	2,036
<b>Cash Flow Statement</b>											
EBIT	17,814	17,821	16,421	12,723	14,438	14,768	14,876	16,814	17,921	19,086	20,298
Depreciation, amortisation and Impairment	4,276	4,260	4,657	4,598	4,771	5,075	5,410	5,626	5,832	6,062	6,307
Change in WC	219	512	-5	592	2,459	-346	-573	309	320	334	347
Pension contributions and use of provisions	-616	-488	-715	-616	-375	-351	-351	-358	-365	-373	-380
Other items	-423	-519	-59	-66	-403	98	460	0	0	0	0
Dividends received	142	141	160	51	106	158	145	152	164	177	191
Interest and taxes (paid) / received	-5,982	-7,064	-7,063	-6,391	-6,197	-6,104	-6,572	-6,813	-6,953	-7,126	-7,304
<b>Cash from operating activities</b>	<b>15,430</b>	<b>14,663</b>	<b>13,396</b>	<b>10,891</b>	<b>14,799</b>	<b>13,298</b>	<b>13,395</b>	<b>15,730</b>	<b>16,919</b>	<b>18,161</b>	<b>19,458</b>
Net Capex	-4,124	-4,649	-4,854	-3,687	-5,498	-4,838	-4,692	-4,872	-5,084	-5,307	-5,540
Other	-67	-327	33	-292	65	288	10	0	0	0	0
<b>FCF (pre DVD, SBB, M&amp;A)</b>	<b>11,239</b>	<b>9,687</b>	<b>8,575</b>	<b>6,912</b>	<b>9,366</b>	<b>8,748</b>	<b>8,714</b>	<b>10,858</b>	<b>11,835</b>	<b>12,855</b>	<b>13,918</b>
M&A	7,708	-285	-252	10,315	-444	-70	72	-360	0	0	0
Shares issued/bought back	0	0	0	0	0	0	-320	-680	0	0	0
Dividend paid	-9,275	-7,761	-5,015	-1,800	-2,364	-2,442	-3,177	-4,020	-4,614	-5,303	-6,134
Other	-6,109	287	3,612	-2,607	2	213	-1,985	-1,200	-1,204	-1,208	-1,213
Change in net debt	3,563	1,928	6,920	12,820	6,560	6,449	3,303	4,598	6,017	6,343	6,572
FCF/EBITDA	51%	44%	41%	40%	49%	44%	43%	48%	50%	51%	52%
<b>Balance Sheet</b>											
<b>Year End Net Debt</b>	<b>-104,390</b>	<b>-102,462</b>	<b>-95,542</b>	<b>-82,722</b>	<b>-76,162</b>	<b>-69,713</b>	<b>-66,410</b>	<b>-61,812</b>	<b>-55,795</b>	<b>-49,452</b>	<b>-42,880</b>
<b>Net Debt/EBITDA</b>	<b>4.7x</b>	<b>4.6x</b>	<b>4.5x</b>	<b>4.8x</b>	<b>4.0x</b>	<b>3.5x</b>	<b>3.3x</b>	<b>2.8x</b>	<b>2.3x</b>	<b>2.0x</b>	<b>1.6x</b>
ROIC	6.9%	6.4%	6.5%	4.7%	5.9%	6.6%	6.4%	7.1%	7.7%	8.2%	8.8%

Source: Company reports, BofA Global Research estimates

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**Exhibit 3: ABI - Divisional Summary (FY17-FY27e)**

We expect margins to start expanding from 2024

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
<b>Sales</b>											
North America	15,587	15,504	15,488	15,622	16,257	16,566	15,236	15,229	15,200	15,154	15,096
Middle Americas	9,239	11,614	11,912	10,032	12,541	14,180	16,507	18,028	19,165	20,334	21,574
South America		10,238	9,791	8,092	9,494	11,599	12,684	13,237	14,072	14,992	15,934
EMEA	10,344	8,368	7,911	6,835	8,032	8,120	8,526	8,831	9,304	9,797	10,322
APAC	7,804	6,735	6,543	5,648	6,848	6,532	6,843	7,072	7,371	7,690	8,028
GEHC	332	582	687	652	1,133	790	463	482	502	522	543
<b>Group</b>	<b>56,444</b>	<b>53,041</b>	<b>52,332</b>	<b>46,881</b>	<b>54,305</b>	<b>57,787</b>	<b>60,259</b>	<b>62,879</b>	<b>65,614</b>	<b>68,488</b>	<b>71,497</b>
<b>EBITDA</b>											
North America	6,329	6,199	6,185	6,172	6,131	6,057	4,764	5,023	5,012	4,984	4,944
Middle Americas	4,512	6,033	6,355	5,014	6,126	6,564	7,782	8,909	9,580	10,274	11,016
South America		4,696	4,145	3,179	3,125	3,511	4,079	4,531	4,860	5,246	5,648
EMEA	3,349	3,184	2,781	1,895	2,598	2,612	2,579	2,752	2,930	3,116	3,317
APAC	2,696	2,178	2,287	1,737	2,321	2,104	2,181	2,359	2,529	2,711	2,890
GEHC	-576	-558	-675	-678	-1,093	-1,005	-1,102	-1,133	-1,158	-1,184	-1,210
<b>Group</b>	<b>22,085</b>	<b>21,732</b>	<b>21,078</b>	<b>17,319</b>	<b>19,208</b>	<b>19,843</b>	<b>20,284</b>	<b>22,441</b>	<b>23,753</b>	<b>25,149</b>	<b>26,604</b>
<b>EBITDA margins</b>											
North America	40.6%	40.0%	39.9%	39.5%	37.7%	36.6%	31.3%	33.0%	33.0%	32.9%	32.7%
Middle Americas	48.8%	51.9%	53.3%	50.0%	48.8%	46.3%	47.1%	49.4%	50.0%	50.5%	51.1%
South America		45.9%	42.3%	39.3%	32.9%	30.3%	32.2%	34.2%	34.5%	35.0%	35.4%
EMEA	32.4%	38.0%	35.2%	27.7%	32.3%	32.2%	30.3%	31.2%	31.5%	31.8%	32.1%
APAC	34.5%	32.3%	35.0%	30.8%	33.9%	32.2%	31.9%	33.4%	34.3%	35.3%	36.0%
<b>Group</b>	<b>39.1%</b>	<b>41.0%</b>	<b>40.3%</b>	<b>36.9%</b>	<b>35.4%</b>	<b>34.3%</b>	<b>33.7%</b>	<b>35.7%</b>	<b>36.2%</b>	<b>36.7%</b>	<b>37.2%</b>

Source: Company reports, BofA Global Research estimates

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**Exhibit 4: ABI - Organic growth rates (FY17-FY27e)**

We forecast c4.5% organic sales and +c6% organic EBITDA longer term

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
<b>Volumes</b>											
North America	-3.3%	-2.5%	-2.4%	-1.4%	0.0%	-4.0%	-11.5%	-2.0%	-1.9%	-1.9%	-1.9%
Middle Americas	1.6%	4.5%	3.8%	-10.3%	17.1%	4.3%	1.2%	1.4%	2.5%	2.5%	2.5%
South America			2.8%	3.2%	8.7%	4.6%	-1.3%	0.4%	3.1%	3.1%	2.5%
EMEA	0.9%	2.3%	3.4%	-11.2%	14.2%	4.6%	-0.6%	0.8%	2.3%	2.2%	2.3%
APAC	0.5%	2.1%	-2.9%	-12.3%	8.2%	0.6%	5.4%	1.3%	1.0%	1.1%	1.2%
<b>Group</b>	<b>0.2%</b>	<b>0.3%</b>	<b>1.1%</b>	<b>-5.7%</b>	<b>9.6%</b>	<b>2.3%</b>	<b>-1.4%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.6%</b>
<b>Sales</b>											
North America	-1.8%	-0.8%	0.2%	0.7%	3.3%	2.4%	-7.5%	-0.2%	-0.2%	-0.3%	-0.4%
Middle Americas	7.5%	9.5%	7.2%	-9.4%	24.8%	15.1%	10.1%	6.0%	6.3%	6.1%	6.1%
South America			9.0%	7.8%	26.3%	27.9%	25.8%	28.5%	14.3%	8.5%	6.9%
EMEA	6.3%	4.1%	3.4%	-10.6%	18.0%	13.1%	10.0%	4.1%	5.4%	5.3%	5.4%
APAC	7.5%	6.1%	1.9%	-12.7%	14.8%	2.4%	10.4%	4.1%	4.2%	4.3%	4.4%
<b>Group</b>	<b>5.0%</b>	<b>4.6%</b>	<b>4.3%</b>	<b>-3.8%</b>	<b>15.5%</b>	<b>11.1%</b>	<b>7.7%</b>	<b>8.7%</b>	<b>6.0%</b>	<b>4.8%</b>	<b>4.5%</b>
<b>EBITDA</b>											
North America	1.3%	-2.4%	0.2%	0.2%	-0.9%	-0.5%	-20.4%	5.3%	-0.2%	-0.6%	-0.8%
Middle Americas	16.0%	16.4%	11.1%	-14.8%	22.4%	8.7%	11.9%	11.2%	7.5%	7.2%	7.2%
South America			-0.4%	-11.0%	11.7%	25.7%	49.2%	41.9%	14.9%	10.1%	8.4%
EMEA	17.8%	1.3%	-5.4%	-29.0%	30.6%	11.5%	4.5%	5.9%	6.5%	6.4%	6.4%
APAC	30.5%	12.7%	9.6%	-23.4%	25.0%	-4.6%	10.0%	9.1%	7.2%	7.2%	6.6%
<b>Group</b>	<b>13.1%</b>	<b>7.7%</b>	<b>2.7%</b>	<b>-12.9%</b>	<b>11.9%</b>	<b>7.2%</b>	<b>7.1%</b>	<b>15.5%</b>	<b>7.4%</b>	<b>6.3%</b>	<b>5.9%</b>

Source: Company reports, BofA Global Research estimates

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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.

## Analyst Certification

I, Andrea Pistacchi, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### EMEA - Beverages Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AB InBev	BUD	BUD US	Andrea Pistacchi
	Anheuser-Busch InBev	BUDFF	ABI BB	Andrea Pistacchi
	Anheuser-Busch InBev SA	XAIBF	ANH SJ	Andrea Pistacchi
	Campari	DVDCF	CPR IM	Andrea Pistacchi
	Coca-Cola Hellenic	CCHBF	CCH LN	Andrea Pistacchi
	Diageo	DEO	DEO US	Andrea Pistacchi
	Diageo	DGEAF	DGE LN	Andrea Pistacchi
	Heineken	HINKF	HEIA NA	Andrea Pistacchi
	Heineken	HEINY	HEINY US	Andrea Pistacchi
	Pernod Ricard	PDRDF	RI FP	Andrea Pistacchi
	Pernod Ricard	PRNDY	PRNDY US	Andrea Pistacchi
<b>NEUTRAL</b>				
	Carlsberg	CABJF	CARLB DC	Andrea Pistacchi
	Carlsberg	CABGY	CABGY US	Andrea Pistacchi

## EMEA - Beverages Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Remy Cointreau	REMYF	RCO FP	Andrea Pistacchi
UNDERPERFORM	Britvic	BTVCF	BVIC LN	Victor Beltran-Segarra
	Fevertree Drinks plc	FQVTF	FEVR LN	Andrea Pistacchi
	Royal Unibrew	ROYUF	RBREW DC	Andrea Pistacchi

**IQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

*IQmethod<sup>SM</sup>* is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

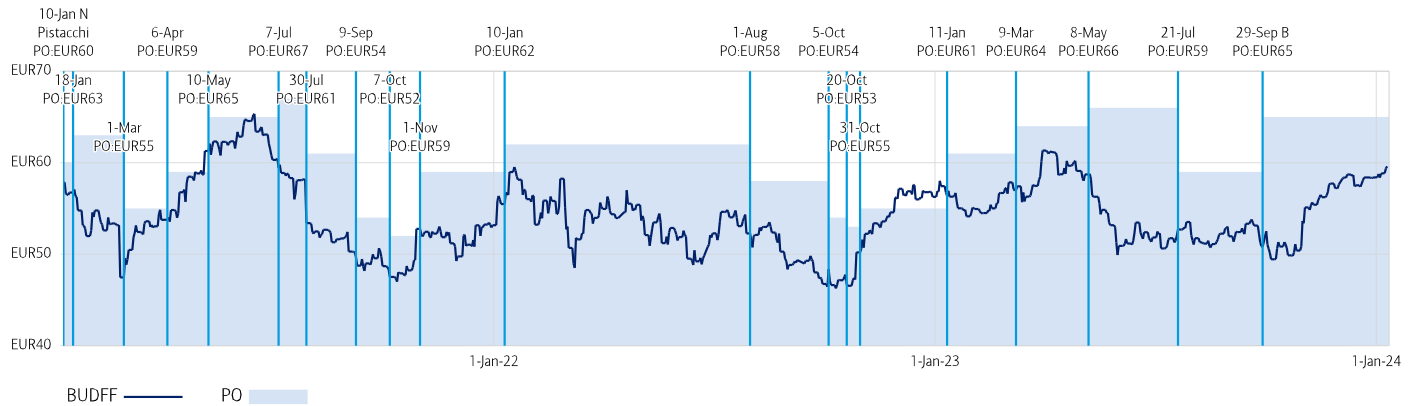
*IQdatabase<sup>®</sup>* is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

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# Disclosures

## Important Disclosures

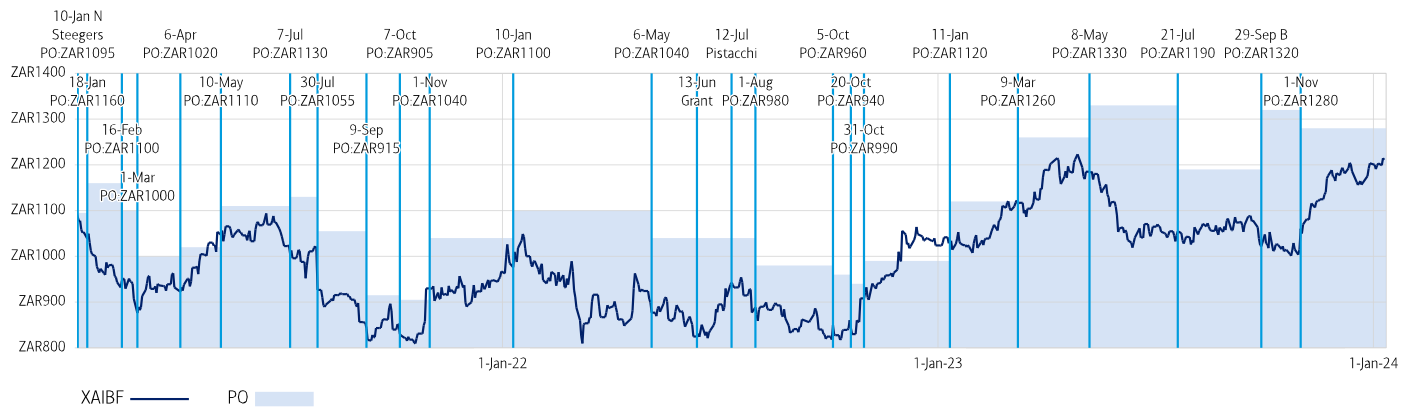
### AB InBev (BUDFF) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

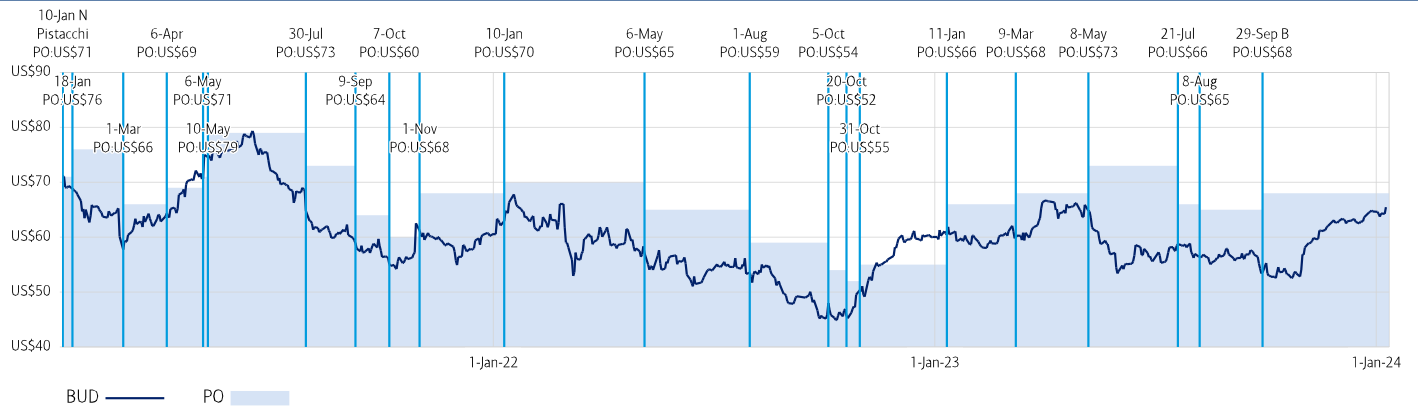
### AB InBev SA (XAIBF) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### AB InBev (BUD) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.



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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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

<sup>R2</sup> 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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The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

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