

INGA CAPITAL

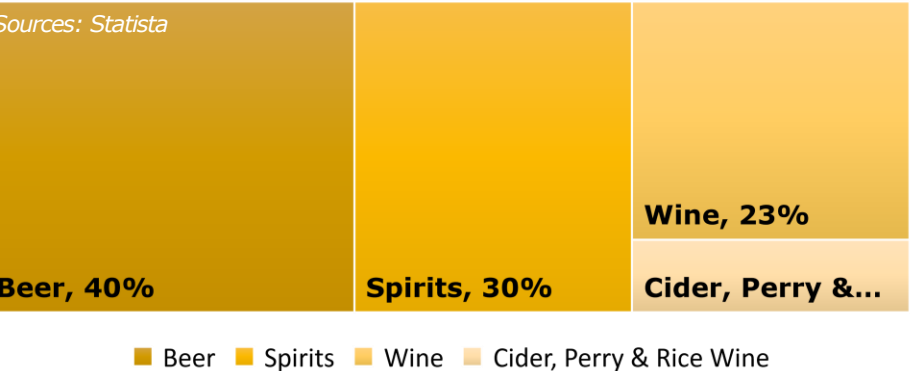
Constellation Challenge 2021

Largest beer market revenues by country in 2019 (In millions)

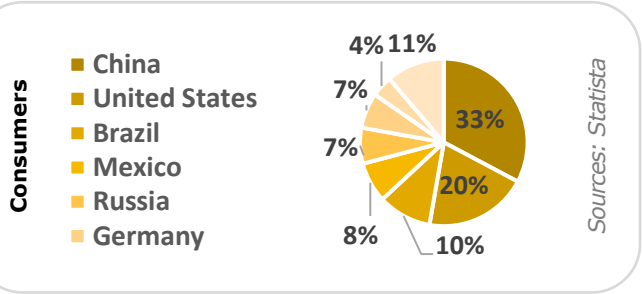
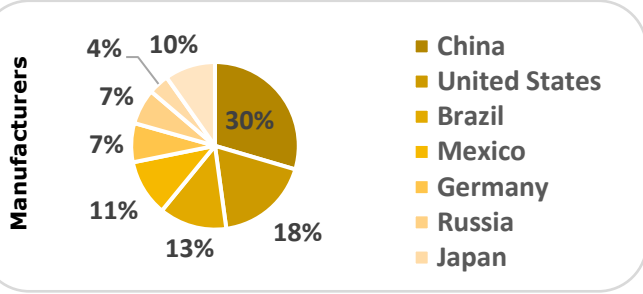


2019 Total Revenue: \$ 650 000
2025 Forecast Total Revenue: \$ 840 000

With 39.6%, the Beer segment accounted for the biggest share in the Alcoholic Drinks market in 2019



Ratio between the largest producers and consumers

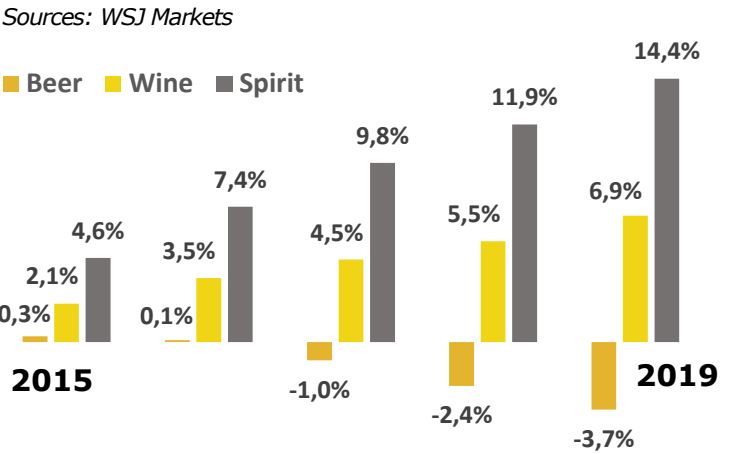


Sources: Global Agricultural Info Network

The Chinese market, which is currently the largest producer and consumer, represents 11% of the total market revenue, second only to the United States.

The major domestic beer market share holders are Snow Beer (China Resources Holdings), Tsingtao Beer (Tsingtao Brewery), Harbin Beer (Anheuser-Busch InBev), Budweiser (Anheuser-Busch InBev), and Yanjing Beer (Beijing Yanjing Brewery), which together account for more than half of the total beer market.

Changing of Consumption patterns (2015-19)

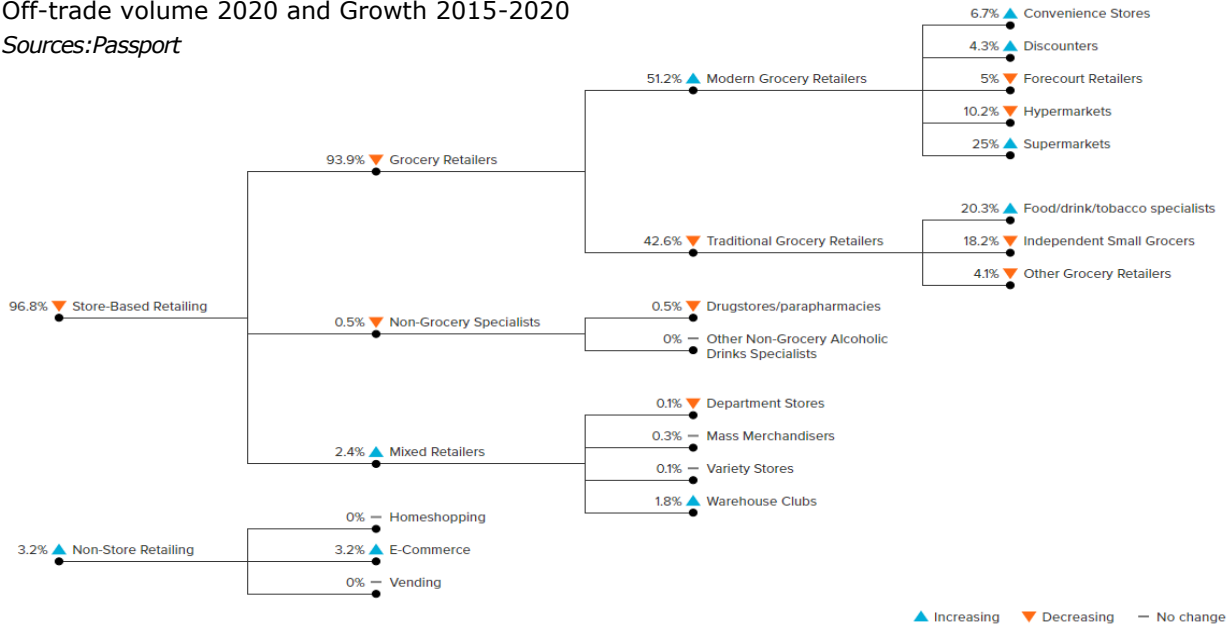


With a strong trend of new drinks on the market and the growth of categories such as spirit, beer has been losing ground, especially among the younger generations

Industry indicators

- The worldwide Beer revenue will increase with a CAGR of 4.3% from 2012 to 2025, while Beer volume sales will grow annually by 0.4% in this period.
- Despite the increase in revenue, the volume produced does not show a relevant increase, indicating that the sector has been correcting the price of products and creating new lines with higher added value.
- With the changes in the consumption pattern, the sector is experiencing a moment of expansion of new products, such as craft beers, which have a higher added value and bring experience to the customer

Channel Distribuiton for Beer
Off-trade volume 2020 and Growth 2015-2020
Sources:Passport

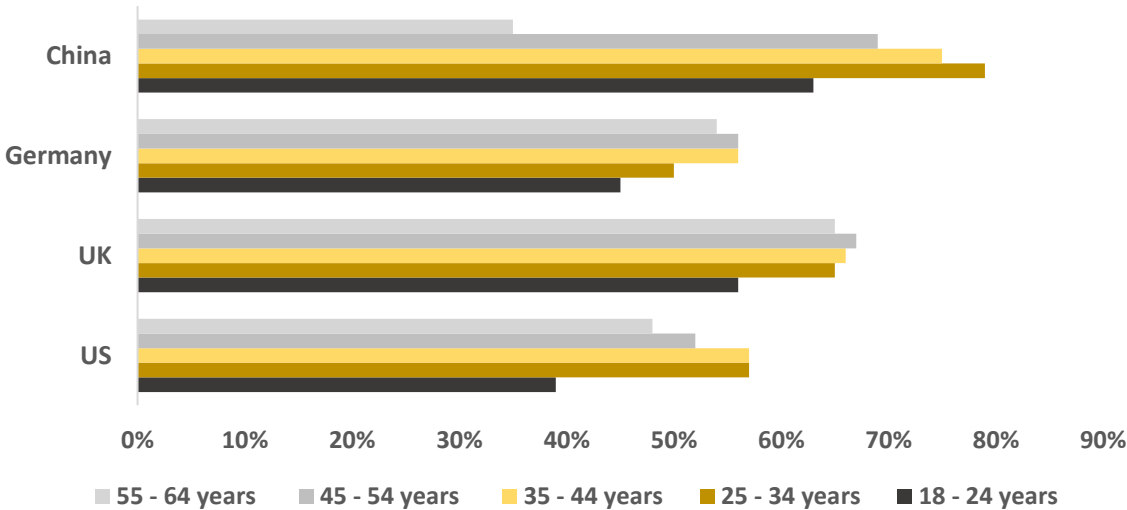


Sales are mostly made in the B2B model to groceries, supermarkets, convenience stores, and specialized beverage stores. But there is an increasing trend with e-commerce models, which are growing and making it possible to sell products directly to the end consumer, who buys directly from his or her home.

Tradicional Categories of Products



Share of internet users drinking at least one alcoholic beverage a week
Sources:Statista Global Consumer Survey, data from: September 2020



The consumer profile may vary in each country, for social or demographic reasons, there is a growing concern about health issues related to alcohol consumption resulting in decrease in the amount alcohol beverages consumption. The distribution in the beer industry follows the same direction worldwide, being 94% in Grocery Retailers.

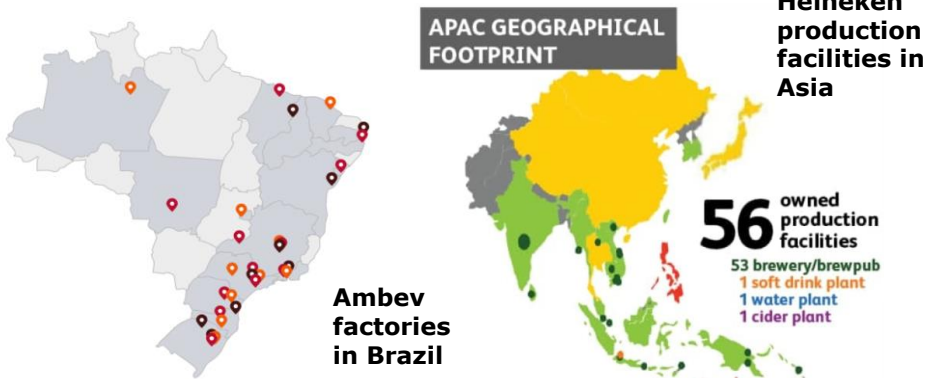
The products available serve different regions and consumer categories, ranging from low cost, which compete internationally on price and have large scale growth in economies such as Brazil, Peru, and Ecuador.

Other important categories are Premium, which is currently dominated by AB Inbev as Classic and Larger, these products have an expressive growth year after year and have the largest share of the market. Finally, there are the adjacent categories, with spirits, special beers such as low carb and zero alcohol.

Advantages of Economy of scale

- Larger brewers benefit from economy of scale, meaning they can procure materials in bulk, have easier access to efficient transportation (beer available in more markets), and can produce a large volume of beer.
- The price per kg of product in the beverage market is relatively low, meaning that the brewer's competitive advantage grows smaller over the distance of the factory. On a global scale, companies must produce the product close enough to keep the advantage. It is the concept of Landing Cost.
- The water added is largely responsible by the quality and the increase in wight. The map shows how distributed the plants of Ambev around Brazil and Heineken’s regional production facilities in Asia

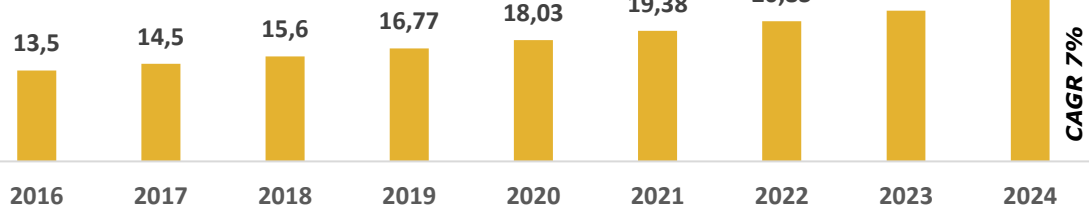
Sources: Heineken, Ambev



Global non-alcoholic beer market shows steady growth

Market size of non-alcoholic beer worldwide from 2016 to 2024 (in billion U.S. dollars)

Sources: BEER TRENDS BREWED UP BY STATISTA



Much of that growth is being driven by millennial consumers, who currently comprise the largest segment (42%) of no- and low-alcohol beer drinkers in America.

- with technology, non-alcoholic beers are gaining more flavor, similar to a normal beer.
- The advances in non-alcoholic beer contributed to the creation of a strong trend mainly in the Fitness and Health niches
- The global non-alcoholic beer market size was estimated to be US\$ 9.6 billion in 2019 and expected to reach US\$ 35.6 billion by 2030 at a CAGR of 8.1%.

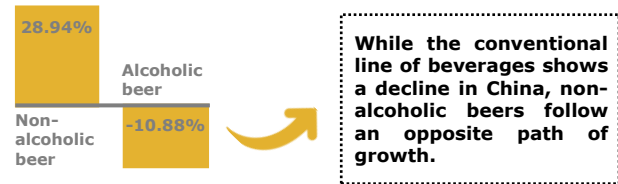
Growth of volume share of low-alcohol and non-alcoholic beer in the European market, due to the successful brand positioning

The companies in the sector have definitely managed to include non-alcoholic beer in the consumers' routine, this beer that a few years ago was seen as a very displaced segment and unpopular, today it is already available in almost all European markets and every day it gains more market worldwide.

Forecast of Volume Share in 2019 to 24 in European markets

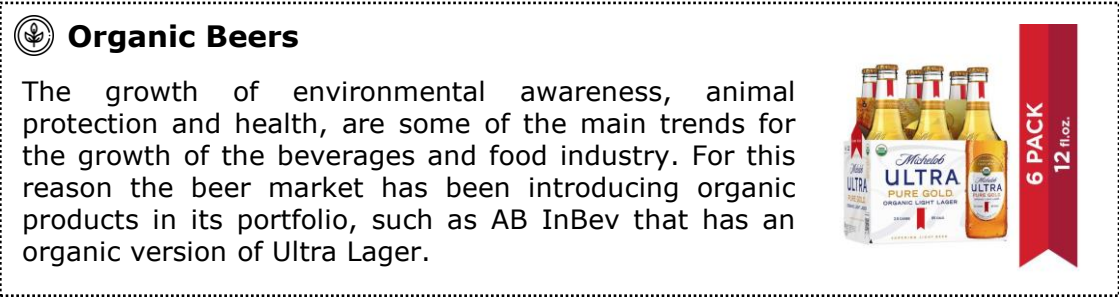
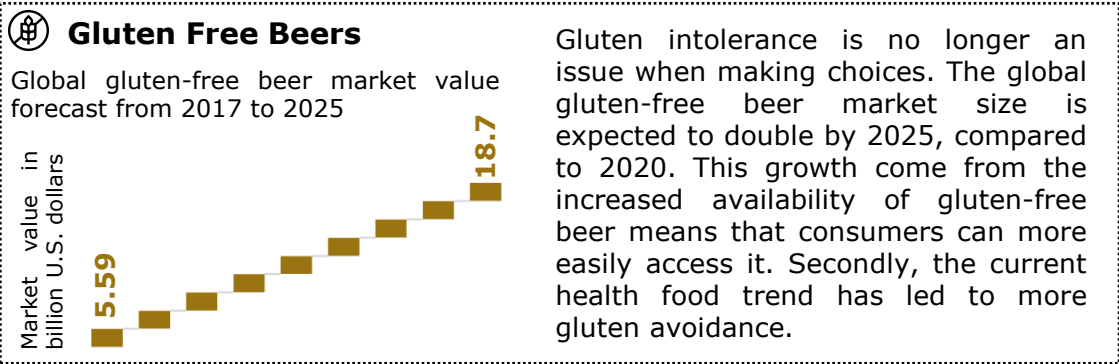


This growth is not only limited to Europe, but worldwide.

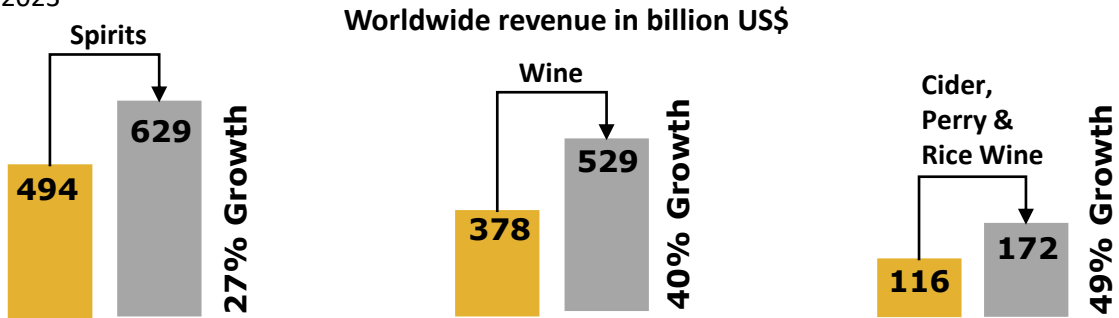


Elsewhere on the globe, non-alcoholic beer is forecast to grow rapidly over the next few years. In the U.S. for instance, the volume share is expected to increase from 1.4 to 3.2 percent by 2024. Other major markets such as the UK and Russia foresee similar growth.

Trend Beers – Health and Fitness



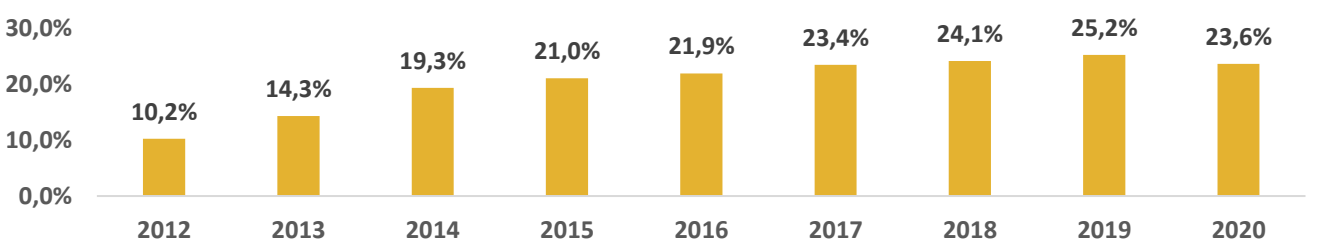
Alcohol Drinks Diversification Sources: BEER TRENDS BREWED UP BY STATISTA
Cider, Spirits and Perry & Rice Wine segment has the highest growth potential from 2019 to 2023



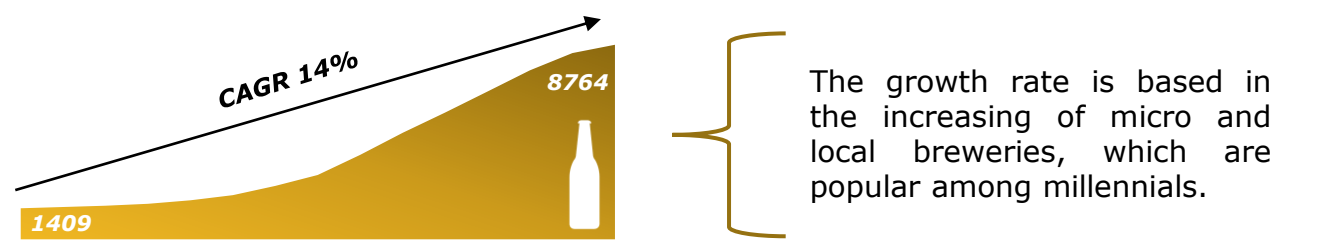
Craft beer will modify the industry standards

In an era where many industries are controlled by a few major players, several small-scale craft brewers have managed to rise against the big players. In 2019, craft beers held a 25 percent market share in the U.S, up from a mere 10 percent in 2012. The success of craft beers has led to an extraordinary increase in the number of breweries. Since 2012, the number of breweries in the United States has grown by more than 300 percent, peaking in 2019.

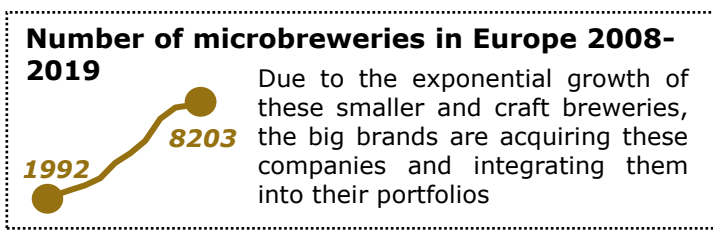
Market share Craft Beer in the US



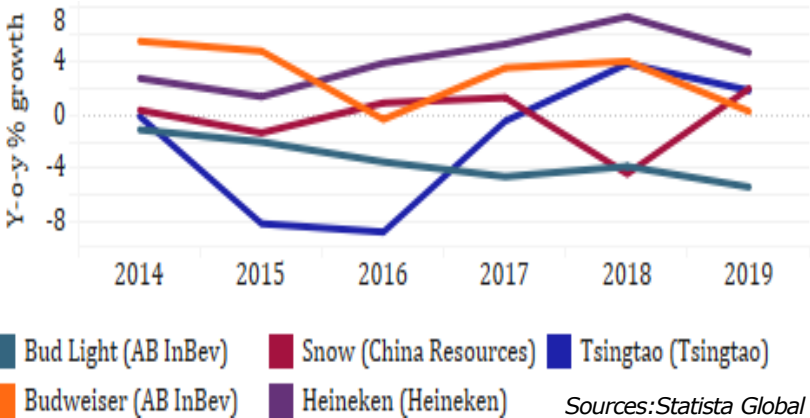
Growth of operating craft breweries in the U.S. 2006-2020



Growth is not limited to the United States, but globally, especially in the European market through microbreweries

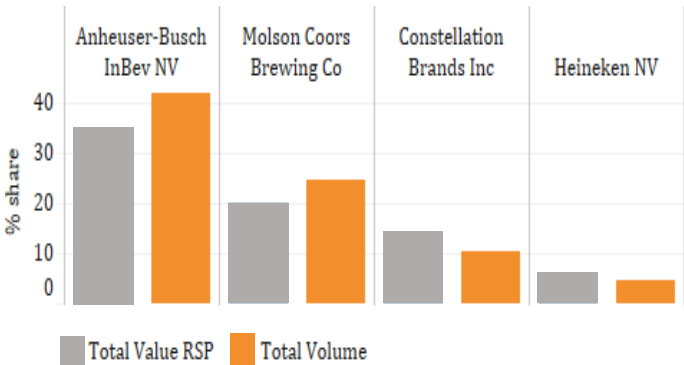


Global Beer: Y-o-Y % Growth for Top Five Brands 2014-2019



In the following graph we can visualize the growth of the main beer brands, AB Inbev has the main brands in the market but competes with other big brands such as Heineken, which reaches all lines from low-cost to premium.

US Beer: Leading Brewers' Volume vs Value Market Shares 2019



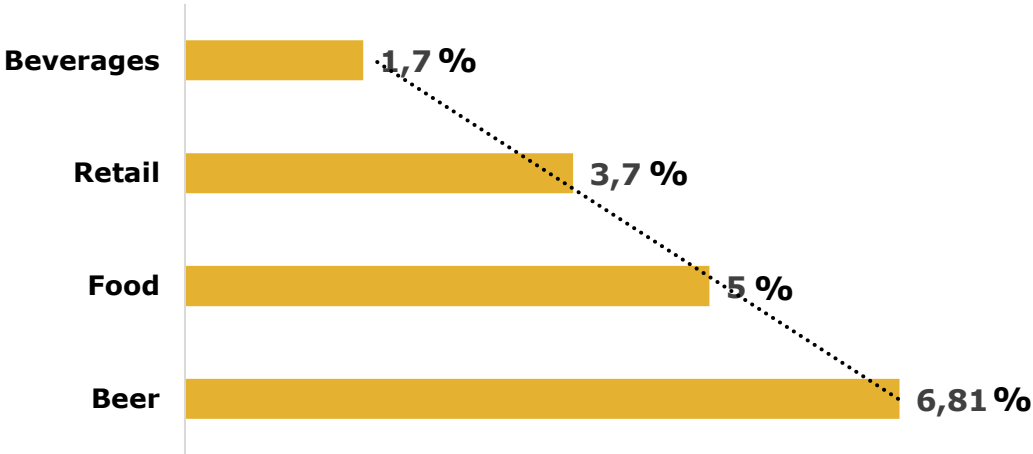
It is possible to analyze based on the graphic that premium brands such as Heineken have a higher % share in value than % share of volume, that is a result it premium market focus.

Worldwide brewing leadings volume production

Production volume in million hectoliters

Company	Production Volume
AB InBev	467,4
Heineken	221,6
Molson-Coors	84,5

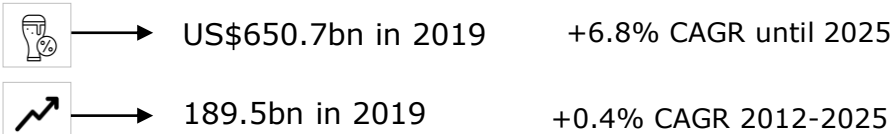
Analysis of the performance of the beer market in relation to other markets, using the CAGR (Compound annual growth rate) ratio.



The brewing and drinking sector can be considered attractive when compared to other similar ones

The worldwide Beer revenue will increase at a CAGR of 6.81% from 2012 to 2025, while Beer volume sales will grow annually by 0.4% in this period.

Due to COVID-19, the new forecast for the Beer segment is 14.6% lower than the original forecast. Otherwise still presenting good growth results.



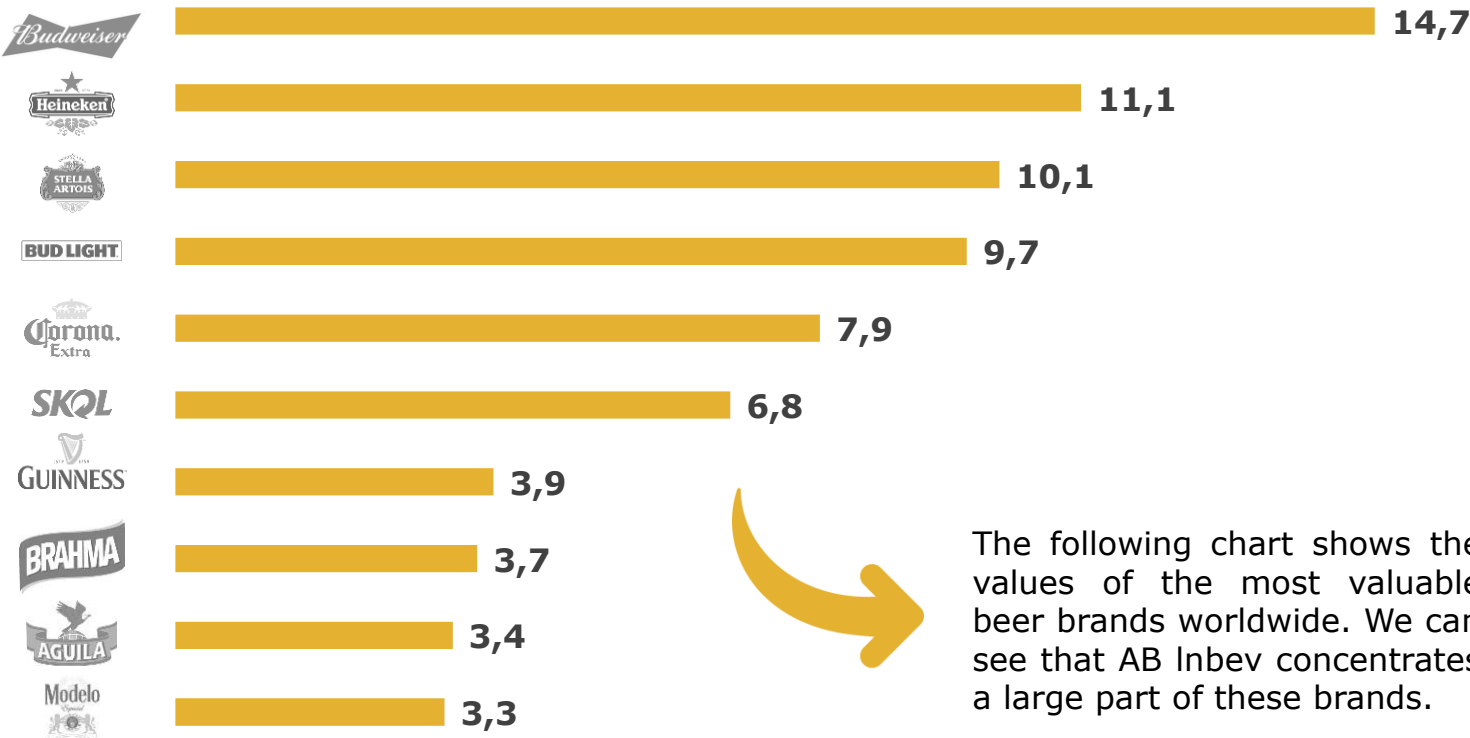
Leading global players

Global market share of the leading beer companies



Anheuser-Busch InBev (AB InBev) has a market share of nearly 30 percent in the global beer market. Together with runner-up Heineken, **AB InBev is responsible for more than 40 percent of all worldwide beer sales**; an astonishing market share, given the diversity and global presence of the industry. AB InBev achieved its dominant status through a series of mergers – most notably, the merger between the Belgian Interbrew and the Brazilian giant AmBev in 2004, followed by the acquisition of the American market leader Anheuser-Busch in 2008. Heineken, on the other hand, reached its market share mainly through sales of its name-brand beer. Further down the list, several Chinese breweries appear,

Leading Global Brands



The following chart shows the values of the most valuable beer brands worldwide. We can see that AB Inbev concentrates a large part of these brands.

Market concentration and sales analysis

Drink sales of Key Players

Company				
Sales 2019	US\$52.3bn	US\$32.2bn ¹	US\$17.3bn ^{1,2}	US\$16.6bn ¹
Key brands	   	   	    	   

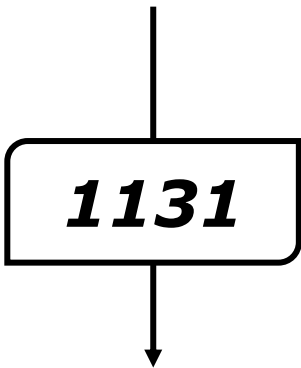
We can see that AB Inbev has the largest representation when it comes to sales and brands, the company has been making acquisitions and has competitive metrics.

AB Inbev Financials

Net Profit Margin	13.82%
Return on Invested Capital %	5.21%

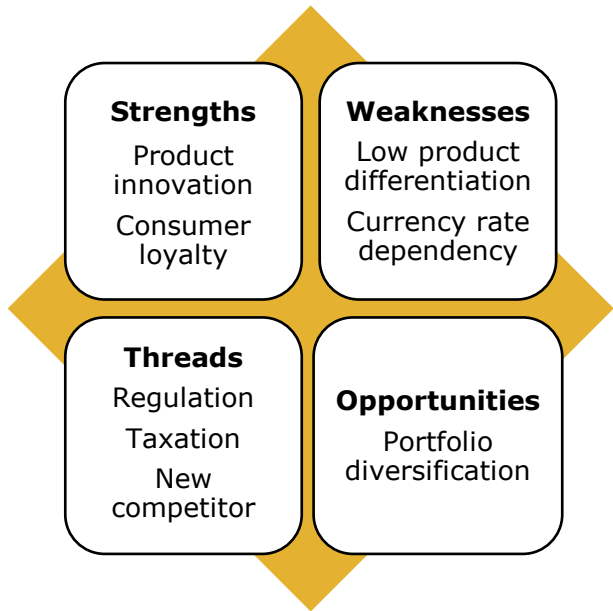
Market concentration index

"The market for beer brands more often tends to be local than global, making it not directly comparable with the HHI scores of other truly global or purely local markets in this study. In the case of our beer study, the direction of the HHI is much more pertinent than the absolute level"
Source: <https://www.businessinsider.com/global-beer-industry-consolidation-2014>

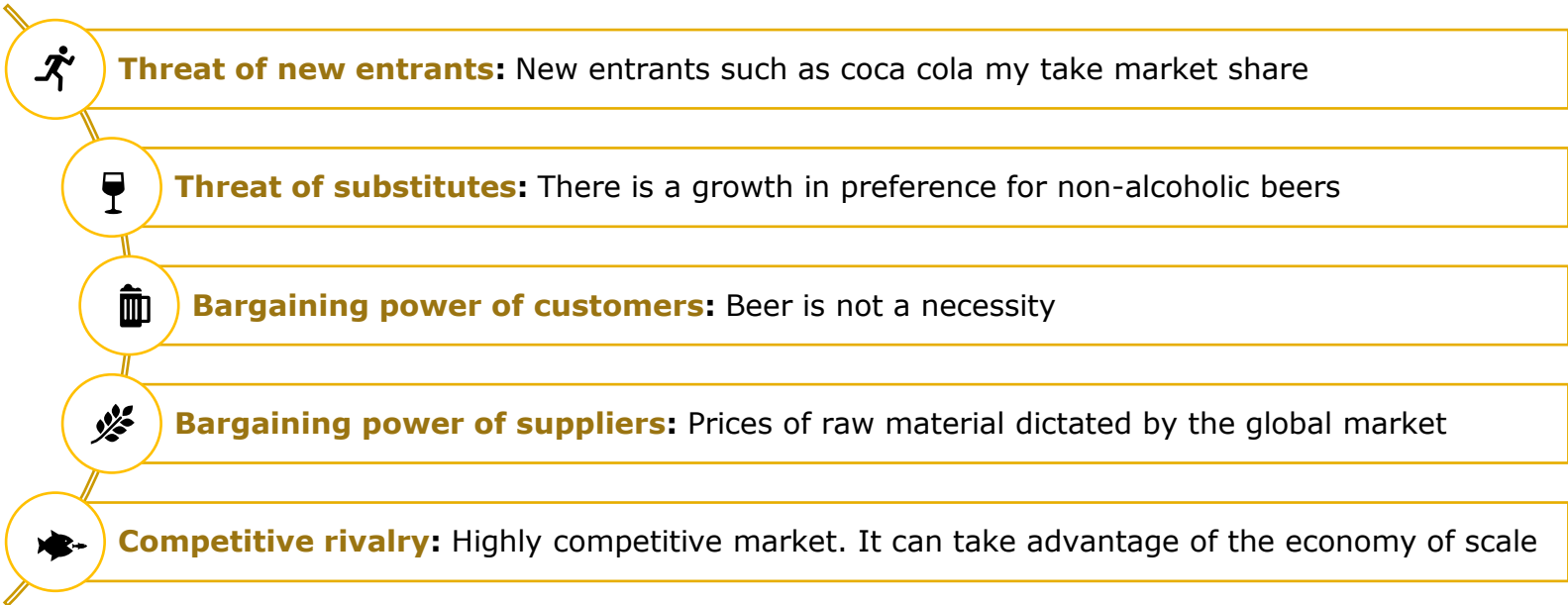


Through the HHI (Herfindahl-Hirschman Index) we can analyze hoe concentrate the market is. An HHI of less than 1500 is a competitive low concentrated market. Between 1500 to 2500, **it is a moderately concentrated market**. Above 2500 is a high concentrated market.

Swot Analysis Brewing Sector



Porter's Five Forces



Compound annual growth rate of beer worldwide from 2013 to 2023, by region

Region	CAGR (2013-2018)	CAGR (2013-2018)
Africa	3,5%	3,8%
Latam	1,2%	2,0%
North America	0,3%	0,1%
Europe	-0,3%	0,1%
World	0,2%	1,2%

Sources: Statista Global Consumer Survey, data from: September 2020

Composition overview

The beer industry is characterized by **multinational conglomerates** on the one hand and by a long tail of nationally or regionally important **mid-sized and smaller companies** on the other hand. **The degree of economic concentration is increasing steadily due to mergers and acquisitions.**

The five dominating beer companies – Anheuser-Busch InBev, Heineken, China Resources Breweries, Carlsberg, and Molson Coors – command a combined volume sales share of over **58.6%**, which means that **three out of five beers consumed globally belong to brands owned by these companies.**

Regulatory Risks

High liability in mistake during the production of consumable goods

g1

MINAS GERAIS

Caso Backer: Ministério Público denuncia sócios da cervejaria por contaminação com dietilenoglicol

Ao todo, 11 pessoas foram denunciadas por crimes como homicídio culposo, lesão corporal culposa e por crime contra o consumidor. Denúncia ocorre quase três meses após conclusão do inquérito.

Growing pressure from the scientific community to increase alcohol taxes

THE LANCET *Regional Health Europe*

Impact of introducing a minimum alcohol tax share in retail prices on alcohol-attributable mortality in the WHO European Region: A modelling study

↓

“Recent developments Authorities and regulators continue to introduce restrictive measures on alcohol consumption and sales.” – Heineken annual report 2021/22

Risks relating our business activity

The primary raw material for beer production is barley and corn. Commodity face cycles and are subjected to climate variation

Barley rose 198% and corn by 150% between the end of 2019 and 2021

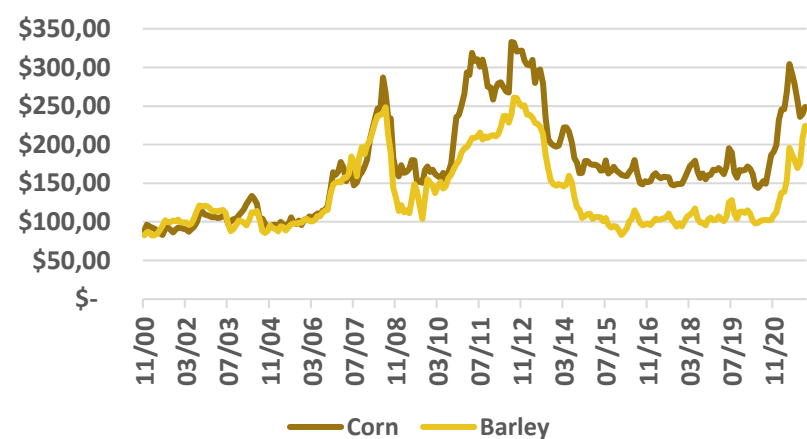
In the past decades there was a change in consumer preference towards non beer beverages

Change of income related to economic crises

Dependency of third party to sell the product

* Source 10-K BUD

Price variation of the main commodities used in this market



** Source <https://fred.stlouisfed.org/series/PBARLUSDM>

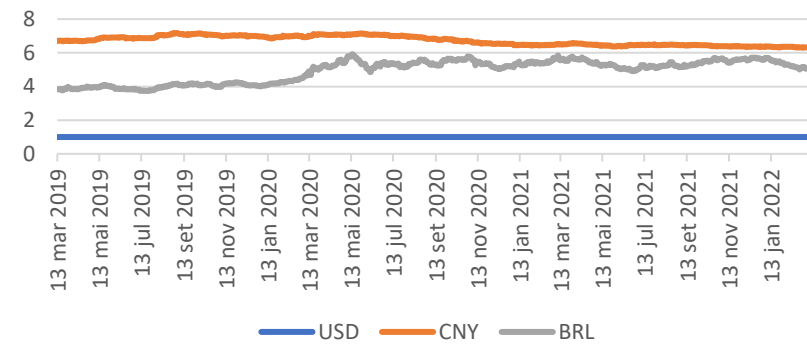
Financial Risks

* Source 10-K BUD

Risk of post covid economic recession, credit and market volatility

Fluctuation in currency exchange deeply impact profit margins

Currency Fluctuation 2019-2022



Results can be affected by an increase in interest rates (Change in the interest rates in the 4 largest markets in the past year)

