

REBRANDED HOPES TAKE OVER THE SLOPES



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Executive Summary



To become the beer associated with adventure Vienna Lager needs to refocus their branding to reflect the mission and core values of Devil's Backbone. As an award winning brew, Vienna Lager won the hearts of craft enthusiasts at craft beer festivals and competitions. However, in order to become the domestic lager of choice Vienna Lager must win over the Everyday Explorer.

Rebrand Vienna Lager to align with Devil's Backbone's adventurous persona

Vienna Lager's opportunity for expansion lies in its ability to become the beer that accompanies every adventure. The typical consumer struggles to see the connection between Devil's Backbone's adventurous persona and featured illustration of Vienna, Austria on Vienna Lager's current label. Strengthening the association of Vienna Lager with Devil's Backbone's mission and core ideals will further attract the Everyday Explorer.

Redesign label to celebrate Virginian roots and host launch event at ski resorts

Alluding to Devil's Backbone's home in the Blue Ridge Mountains of Virginia conveys a sense of adventure from the redesigned label, and emphasizes the brewery's local roots. Using a more vibrant color scheme would also differentiate Vienna Lager in the highly competitive craft beer market. Devil's Backbone should host sampling events at ski resorts in the Poconos Mountains to unveil its new branding to its target customers.

Rebranding generates an NPV of \$276,511 and IRR of 28.05%

Completing an NPV analysis of rebranding efforts shows that the redesigned label and launch event would result in an NPV of \$276,511 and IRR of 28.05%. The risk of net loss is also minimal. With a Monte Carlo analysis, we are 92.91% confident that rebranding will achieve a net present value greater than 0. This is due to the low initial outlay required to redesign a label and host the promotional event.



Over the past eight years, Devils Backbone rose to become one of the most acclaimed craft breweries on the East Coast. The potential of Devils Backbone caught the attention of Anheuser-Busch InBev (AB InBev), leading to its acquisition in April, 2016. AB InBev incorporated Devils Backbone's beers into its rapidly growing High End portfolio. The increasing importance of the High End makes this acquisition a key component of AB InBev's long term growth strategy. Devils Backbone's own portfolio includes admired beers such as Eight Point IPA and Danzig, but the crown jewel is its Vienna Lager. Vienna Lager's superior taste, loyal following, and support from AB InBev's resources position the beer to potentially emerge as one of the most popular craft beers in the country. In the immediate future, the brewery wants to develop an extensive presence in existing markets before expanding to new areas. While Devils Backbone found success with its Vienna Lager in Virginia, it has room to improve its position in its current locations in surrounding states. In order to effectively compete in these crowded spaces, Devils Backbone must rebrand Vienna Lager to better align with the brewery's core values and appeal directly to its target customer segment. The rebranding effort includes changing Vienna Lager's label and launching the new brand at ski resorts in the Pocono Mountains, Pennsylvania.ⁱ This report outlines how rebranding Vienna Lager will help Devils Backbone achieve its mission of accompanying consumers as they embark upon their own adventures.

Rebranding Vienna Lager aligns the brand with the core values of Devils Backbone

We recommend that Devils Backbone Brewing Company rebrand Vienna Lager to reinforce the brewery's overall image. The first step entails redesigning Vienna Lager's label to invoke associations with adventure. The second step involves hosting promotional kick-off events at seven Poconos ski resorts over the course of a week to introduce Vienna Lager as a beverage that complements outdoor activities.ⁱⁱ Opportunity lies in reducing the disconnect between Vienna Lager's image and the values of Devils Backbone. Devils Backbone strives to be the craft beer brand of the outdoors. Stating adventure as the first of its seven core values reflects its mission to become a part of every campsite, hiking trip, and expedition a consumer takes. However, at first glance, Vienna Lager, the brewery's most popular beer, does not communicate these tenets through its packaging. Redesigning the label and promoting Vienna Lager in an environment where it can enrich outdoor experiences will further fulfill Devils Backbone's mission.



Changing Vienna Lager's label helps appeal directly to its target consumer segment

Aligning the Vienna Lager brand more closely with Devils Backbone's core values will help the company cater to its primary customer segment, the "Everyday Explorer." As described in depth in **Exhibit 1**, Everyday Explorers possess the following characteristics:ⁱⁱⁱ

- Are between the ages of 21 and 34
- Earn an annual salary above the national median income of \$51,000^{iv}
- Are College-educated
- Appreciate authenticity and a product with a story
- Enjoy trying new things

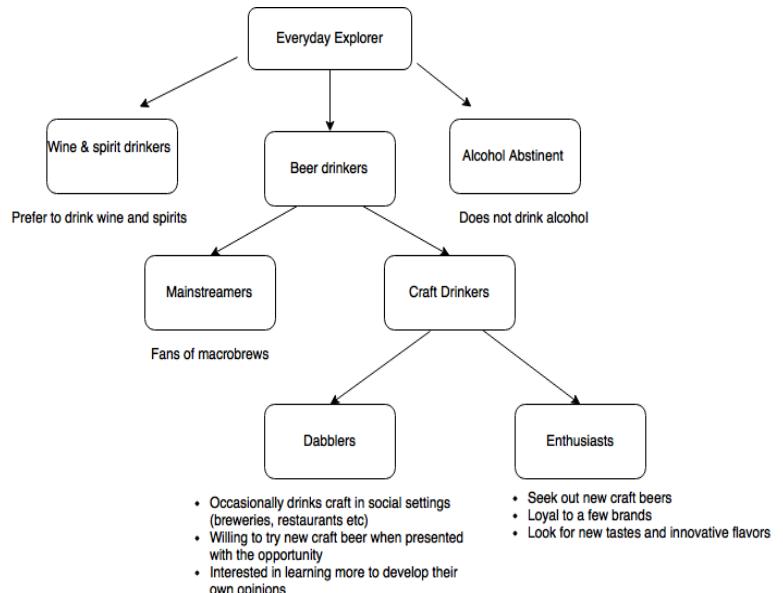


Figure 1: Craft dabblers and enthusiasts are subsections of Everyday Explorers

Everyday Explorers include beer drinkers, wine & spirits drinkers, and those who are alcohol abstinent. This report focuses primarily on beer drinkers who are comprised of mainstreamers who solely drink macrobrews and those who drink craft beer. The segment of craft beer drinkers contains enthusiasts and dabblers. Craft beer enthusiasts seek out new craft beers with unique tastes and innovative flavors and have their preferred brands. Craft dabblers drink craft occasionally when presented with the opportunity, but do not actively seek out new craft brands. Both craft dabblers and enthusiasts provide the most immediate opportunity for expansion.

Vienna Lager currently finds the most success among craft beer enthusiasts

Vienna Lager's superior quality currently appeals to craft beer enthusiasts across the country. The beer achieved international recognition by winning Gold medals at a variety of beer competitions such as the Great American Beer Festival in both 2015 and 2016.^v Consumers who understand the intricacies and nuances in craft beer enjoy Vienna Lager due to its authenticity



and innovative brewing technique. **Figure 2** shows responses to a survey conducted by Derick Davis, a marketing professor at the University of Virginia, which states that Vienna Lager consumers consider themselves avid craft drinkers. However, a statistical analysis of this data shown in **Exhibit 2** concludes that consumers who do not consider themselves avid craft drinkers are significantly less likely to have heard of Vienna Lager. This bolsters the idea that, while Vienna Lager has found success with conventional craft beer enthusiasts, significant room to expand to craft dabblers remains. Vienna Lager can improve its market share within the Everyday Explorer segment by focusing on elements of the brand that appeal to both craft enthusiasts and craft dabblers.

Statement	Current DBVL Drinkers	Non-DBVL Drinkers	Difference
I consider myself beer-informed (Scale of 7)	5.58	4.5	1.08
Craft beer has better flavor	4.16	3.76	0.4
I am a craft beer drinker	3.79	3.4	0.39
Craft beer is worth the extra cost	3.84	3.46	0.38
Craft beer drinkers are snooty hipsters	2.11	2.65	-0.54

On a scale of 5, higher numbers correspond to stronger agreement. DBVL must find a way to appeal to those who don't already enjoy craft beer

Figure 2: Current Devils Backbone Vienna Lager Drinkers are typically craft beer enthusiasts

Vienna Lager should celebrate its Virginian roots to appeal to craft enthusiasts

While Vienna Lager's label currently emphasizes the beer's European influence, it forgoes an opportunity to communicate its own authentic story, which would appeal to craft enthusiasts. Craft enthusiasts appreciate the locality and authenticity behind a given product.^{vi} According to the consumer data survey, detailed in **Exhibit 3**, craft enthusiasts place a high value on packaging when choosing a beer and are far more selective in their choices compared to regular beer drinkers. The current label, shown in **Figure 3**, places an emphasis on the European essence of a Vienna-style lager through an illustration of a dirt road and farmland in rural Austria. While this depicts the rustic origins of the beer, it does not align with one of Devils Backbone's unique selling points: its roots in the Blue Ridge Mountains of Virginia. Rather than

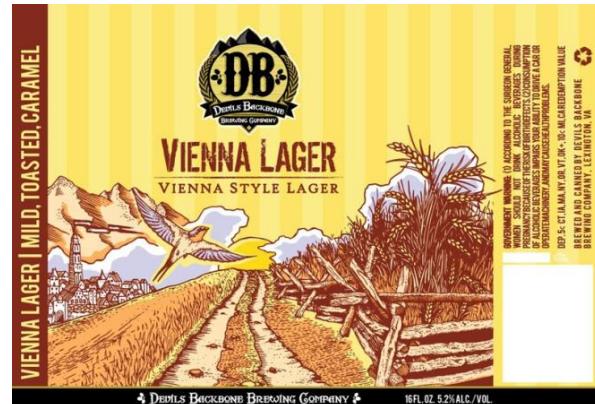


Figure 3: Vienna Lager's current label does not emphasize Devil's Backbone's adventurous philosophy



portraying the Viennese landscape that may have inspired the style of the beer, the label should instead feature imagery that celebrates the locality of the brewery and the strong ties it has to the surrounding nature. Devils Backbone's motto, "Craft an Adventure," gives off a rugged impression, which the current label does not convey.^{vii} Redesigning the label will better reflect the brewery's values and, as a result, improve its reach to craft enthusiasts.

Creating a more appealing label will help convert dabblers into Vienna Lager drinkers

We believe our proposed label further differentiates Vienna Lager from its competitors. Packaging plays a vital role in dabblers' decision-making when it comes to purchasing craft beer. Often, dabblers who are not experienced craft drinkers face a choice between several dozen brands when making a purchase from a grocery store or bar. Vienna Lager can differentiate itself from other craft brands by changing the existing color scheme of its label.

As seen in **Figure 4**, the proposed label stands out due to its use of vibrant shades of blue and red. In **Exhibit 4** the side-by-side comparison shows the similarity between the proposed label and Blue Ridge Mountains which reflects the brand's ties to its home in Virginia. A



Figure 4: The proposed label features Devils Backbone's home in the Blue Ridge Mountains

packaging research study concludes that strategic color changes to existing packaging can greatly influence the likelihood that new customers will consider the product for purchase.^{viii} By stepping outside the monochromatic yellow color palette of its existing label, Vienna Lager will be able to better appeal to dabblers who might not have tried it otherwise.

Increasingly competitive alcoholic beverage industry places significance on packaging

When faced with many options, packaging tends to be the deciding factor that pushes consumers toward a particular choice. A report published by the American Marketing Association suggests that label and packaging design influences the relationship between beer brand identification and taste perception. Their study concludes that beer drinkers cannot significantly distinguish



between two unlabeled beer brands solely based on taste. This strengthens the argument that the initial perception based on label and packaging drives consumer satisfaction.^{ix}

In order to remain successful in a crowded industry, Vienna Lager should alter its packaging to win over consumers who are faced with many options. Favorable macro-level industry trends further intensify competition. As detailed in **Exhibit 5**, recent US economic growth and increases in disposable income provide Vienna Lager's target demographic, Everyday Explorers, with resources to seek desired experiences and higher quality products. Wine and spirits' growing market share indicates a shift toward high end alcohol. Simultaneously, U.S. craft brew sales grew 12.8% last year.^x As a result, there have been more entrants into the craft beer market, which increases competition for Vienna Lager. The highly competitive alcoholic beverage industry poses a further threat to Vienna Lager, as demonstrated in **Exhibit 6**. As of 2015, there were 4,225 craft breweries in the United States, and craft beer drinkers now have roughly 30,000 options to choose from, up from 20,000 just five years ago.^{xi} Saturation in the high end segment of the alcoholic beverage industry provides an impetus for Vienna Lager to differentiate through rebranding and appealing directly to its target customer segment.

AB InBev should highlight Devils Backbone's core values in the Vienna Lager label

Positioning Vienna Lager as the beer to accompany outdoor adventures creates an immense opportunity to strengthen its brand. The typical consumer struggles to see the visual connection between Devils Backbone's adventurous persona and Vienna Lager's serene label. The quaint illustration currently featured on the label gives a sense of tradition and tranquility. The key features of the new, proposed label include:

- Mountains representing the brewery's home in the Blue Ridge Mountains of Virginia
- Silhouettes of hikers celebrating the presence of good company and exploration
- Vibrant colors of the sunset creating the perfect background for enjoying a beer



The new label successfully conveys Devils Backbone's core values. In a survey with 200 respondents, shown in **Exhibit 7**, more than 72.5% of respondents associated adventure with the new label, while only 15.0% saw the connection to adventure in the original label. Furthermore, 22.5% associated fun with the proposed label as opposed to 5% with the old label, as shown in **Figure 5**. These differences highlight the disconnect between the old label and Devils Backbone's values, and how the proposed label begins to remove this distance.

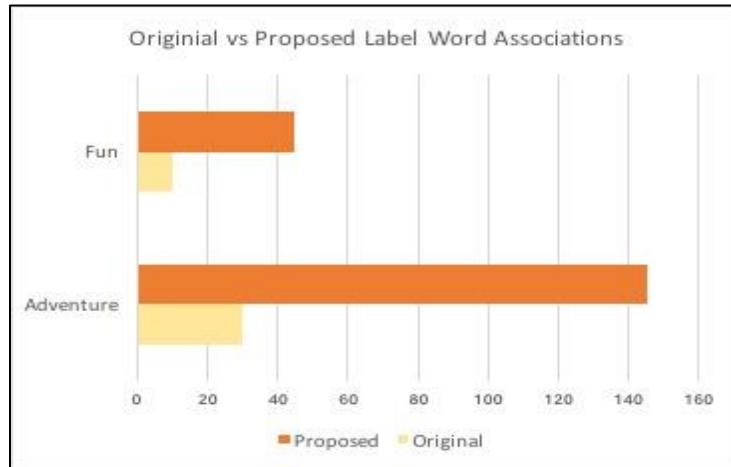


Figure 5: Compared to the current label, the proposed label is more likely to invoke associations with “adventure” and “fun.”

Hosting a geographically-focused sampling event launches Vienna Lager’s rebrand

In order to fulfill Devils Backbone's mission to convey its adventurous ideals through its flagship brew, Vienna Lager, the company should place the beer in environments that foster this connection. We suggest that the company hold a week-long promotional event tour in the Pocono Mountain ski resorts during which the company hands out free samples of Vienna Lager. This involves visiting ski resorts in the area, setting up a tent and table, and providing samples to those who pass by. Each day of the week, the event will be held on the slopes during daytime and outside of the ski lodge at night. There are seven main ski resorts in the Poconos, as shown in **Exhibit 8**, and event staff will travel to each one over the course of a week. Due to the increase in holiday traveling during the week between Christmas and New Year's (December 26th to January 1st), we will reach the maximum possible number of visitors at this time.^{xii}

Exhibit 9 illustrates the full route and timeline of the event tour. Three staff members will educate consumers on Vienna Lager's origins and hand out samples. This will happen at ski resorts due to the fact that skiing is an adventurous, outdoor activity that appeals to the Everyday Explorer target customer segment who is seeking memorable experiences. As opposed to other outdoor activities such as camping, hiking, and canoeing, skiing pairs well with drinking due to



the presence of a bar at the base of most ski mountains.^{xiii} Thus, there is a strong culture of ending a day at the slopes with a visit to the bar.

Sampling increases the likelihood of skiers purchasing Vienna Lager

Through the sampling event, consumers will form positive associations between experiences at ski resorts and Vienna Lager, thus increasing customer loyalty and future likelihood of purchase. Companies heavily invest in building customer loyalty because the continued benefits of successful, long-term customer relationships outweigh initial acquisition costs. Additionally, according to a conference call with AB InBev Director of High End Expansion, Craig Weiner, the company is confident in its ability to convert samplers to regular drinkers of its craft brands due to their superior quality.^{xiv} The primary challenge, however, lies in getting consumers to try the beer in the first place. Handing out free samples gives customers a chance to taste Vienna Lager in an environment that encapsulates the essence of the brand. A Portland Marketing Analytics research study found that 71% of consumers who sample alcoholic beverages without having heard of the brand are likely to buy the product. Conversely, just 28% of consumers who heard of the product, but did not sample it, went on to make a purchase.^{xv} Sampling is the first step in creating an emotional connection and long-lasting relationship between Vienna Lager and skiers, which would result in repeated sales.

The Pocono region allows Vienna Lager to fully establish itself in Pennsylvania

Although Devils Backbone already sells Vienna Lager in Pennsylvania, the brand needs to continue gaining traction in order to establish a larger market share in the region. Due to the high volume of visitors to the Pocono Mountains, the region presents an ideal environment in which Vienna Lager can increase its following of Everyday Explorers in the Pennsylvania market. Additionally, this aligns with AB InBev's goal of preserving Devils Backbone's Virginian roots and exporting the brewery's mission to other parts of the country.^{xvi} After introducing Vienna Lager to Poconos skiers, customers should have the chance to purchase the beer at local grocery stores and bars. As illustrated in **Exhibit 8**, while Vienna Lager is sold in the neighboring counties to the Pocono Mountains, it is only available in 16 locations in proximity to the Pocono



Mountains.^{xvii} Thus, Vienna Lager still needs to go deeper into the region and become a leader in the market.

In order for Vienna Lager to fully establish itself in Pennsylvania, AB InBev should introduce the beer to new bars, restaurants, grocery stores, and ski lodges in the area. Due to the three-tiered distribution system, this type of expansion will require clear communication with the wholesalers in the region about the objectives of AB InBev and Devils Backbone. The wholesalers will then develop relationships with venues that sell beer close to the Poconos to facilitate further penetration into the market.^{xviii} The sampling event will also foster relationships between Devils Backbone and the Poconos ski resorts and act as proof of demand to encourage those resorts to begin selling Vienna Lager in their ski lodge bars.

Ski resorts in Poconos connect Vienna Lager to its target demographic

The primary demographic that visits ski resorts presents a compelling reason for Vienna Lager to penetrate this market. Particularly, the region attracts the following demographic:^{xix}

- Over 40% of visitors are adults between the age of 24-44
- Over 37% of visitors have annual incomes between 50-100k
- Over 37% of visitors are college-educated

Thus, we can conclude that there is a significant overlap between the visitors of the Poconos and our target Everyday Explorer customer segment. **Appendix A** details a regression analysis showing that those who ski are statistically more likely to purchase Vienna Lager. Devils Backbone's core ideals also parallel the adventures on the slopes. The brewery's mission statement is to "enrich our community by enhancing...ski lodges...and anywhere else you find yourself enjoying life."^{xx} Furthermore, because Devils Backbone wants to solidify the connection between Vienna Lager and outdoor adventures, it is optimal to place it in a recreational outdoor venue.



Word-of-mouth promotion extends brand beyond Devils Backbone's existing territory

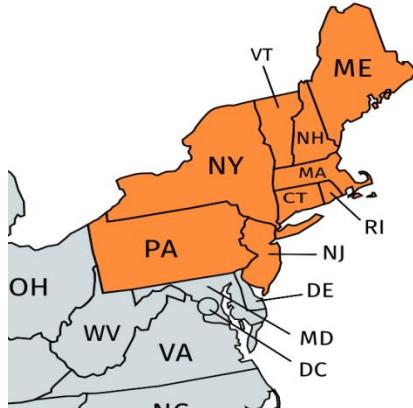


Figure 6: The orange-colored Region 1 includes highly-populated metropolitan areas such as New York and New Jersey.

The Poconos' close proximity to the highly-populated tri-state area (New York, New Jersey, and Connecticut) fulfills both the brewery's short-term and long-term expansion strategy. The current strategy to "go deeper" into the Pennsylvania market involves introducing new customers to Vienna Lager. Once Vienna Lager gains momentum in Pennsylvania, these residents will be able to repeatedly purchase the beer and contribute to the incremental sales captured through this event. Additionally, over 42% of day trip visitors to the Poconos come from New York, New Jersey, and

Connecticut. This high volume of out-of-state visitors will benefit the brewery in the long-run by acting as word-of-mouth promoters. Thus, when AB InBev transitions Devils Backbone into the Region 1 market as shown in Figure 6, as per their stated expansion strategy, it will already have eager customers waiting.^{xxi}

AB InBev should collaborate with Poconos resorts to advertise in metropolitan areas

Partnering with the Pocono Mountain Visitor Bureau (PMVB) streamlines the advertising process by granting access to the New York and Philly metropolitan markets at an affordable rate. PMVB offers a Co-Op Advertising program to give partners the opportunity to leverage the Pocono Mountains' overall media buying power. The co-op consists of a Pocono Mountains branded ad that is split with the partner on four mediums:

- 30 TV spots played in the New York and Philadelphia Markets
- Billboards on major highways in Philadelphia and New York Designated Market Areas
- Transit Advertising on the New Jersey Transit system lines feeding into New York City
- Digital Advertising on websites such as Facebook.com, TripAdvisor.com, and NJ.com



Given the options for advertising with the PMVB, using billboards on highly populated highways in New York, New Jersey, and Pennsylvania, as seen in Exhibit 11, is the most prudent option to raise awareness for Vienna Lager. Figure 7 shows two potential examples for these co-branded billboards. The billboards create an association between Vienna Lager and an outdoor adventure before they even try the beer.



Figure 7: Pocono Mountain Visitor Bureau and Devils Backbone use billboards to convey associations between ski resorts and Vienna Lager

AB InBev and Devils Backbone can use this co-op to gain access to the densely populated areas of New York, New Jersey, and Pennsylvania, and to publicize the brewery's debut of its Vienna Lager at the Poconos. A factor of the co-op is that as an additional cost-saving benefit, the Pocono Mountain resorts will also cover 50% of the advertising expenses associated with the partnership. Thus, it is easy to promote the brand in the region while also promoting adventurous winter traveling.^{xxii}

Strategic use of social media enhances Vienna Lager's outreach to Everyday Explore

AB InBev and Devils Backbone should create a social media campaign to effectively interact with tech-savvy consumers. Devils Backbone should capitalize on Everyday Explorers' use of social media outlets. In particular, Vienna Lager drinkers are statistically more likely to use Snapchat and Instagram as opposed to non-Vienna Lager Drinkers. The regression analysis in **Appendix A** supports this statement. The example geofilter in **Figure 8** shows how Snapchat can engage consumers and encourage the spread of Vienna Lager's brand. The cost of a Snapchat geofilter is \$500 a day.^{xxiii} Over the course of a week, with one event happening per day, the geofilter will move from slope to slope. This enables users who visit the Pocono



Mountains to send Snapchats to their friends of them enjoying a free sample of the award-winning craft beer from Virginia. Likewise, encouraging customers to post on social media using the hashtag “#CraftYourAdventure” allows satisfied customers to share their positive experiences. Furthermore, the label in itself is a marketing tactic. If placed three in a row, side by side rotated at different angles,



Figure 9: The picturesque label depicts the Blue Ridge Mountain range.

as shown in **Figure 9**, the label creates a landscape of the Blue Ridge Mountains.

Not only is this factor aesthetically appealing and an interesting way to illustrate the mountainous landscape, but it also prompts customers to buy extra bottles of beer so that they can complete the image. They can then photograph that larger image and share it on social media, exposing other potential consumers to the product and what it stands for.



Figure 8: The Vienna Lager snapchat filter allows ski resort visitors to share experiences on the slope.

Additionally, Devils Backbone can run a social media advertising campaign to reach their target customer segment. For a cost of \$15,000, the company can reach a total of 2.8 million people through targeted Facebook ads. The ad campaign, shown in **Exhibit 12**, suggests that there are 2.8 million individuals in New York, New Jersey and Pennsylvania over the age of 21 who earn over \$50,000 annually, partake in winter sports, and enjoy craft beer.^{xxiv}

Rebranding generates substantial incremental cash flows for Devils Backbone

We anticipate that the rebranding effort will generate sales growth for Devils Backbone. Nielsen’s most recent “CPG Innovation Report” indicated that an effective relabeling campaign is expected to increase sales by an average of 5.5% in the first year.^{xxv} That number was expected to taper off anywhere between 0.5% and 1.0% per year; we decided to apply the more conservative 1.0% estimate. This number, based upon precedent from previous studies of label rebranding, translates to anywhere from \$670,890 in incremental revenue for Vienna Lager in



year one.

Sampling events will also contribute to the incremental revenue. The primary function of the sampling events is to launch the renewed label, raise awareness for Vienna Lager in regions it has not fully penetrated, and potentially gain new customers. Hosting multiple events during peak ski season allows the company to maximize the number of people it reaches. Taking into account the popularity of the season, and the proportion of total visitors we can reach, we estimate we will hand out samples to roughly 11,300 skiers. As seen in **Appendix B**, we use a conservative conversion rate of 50%, meaning that half of all samplers will eventually buy Vienna Lager from grocery stores, bars, or restaurants. Using \$4.75 as the average revenue Devils Backbone receives from each six-pack of Vienna Lager sold, we can predict that the incremental cash flows obtained from the ski resort event tour is \$26,442.

The rebranding proposal requires reasonable upfront expenses

The necessary initial costs to rebrand are used to redesign the label and fund the marketing campaign. There is a minimal one-time cost related to hiring a graphic designer to create the proposed label. Based on industry research and the estimated hours of graphic design work required, we derived a total development cost of \$3,200.^{xxvi} We also estimate new equipment costs of \$2,250 from the cost of tables and tents for the event. Furthermore, to test consumers' perception of the new label, we will conduct 12 specialized focus groups in cities in which Vienna Lager currently sells. Due to the effort required to get feedback that is representative of consumers in the region, the combined cost of the focus groups is roughly \$82,300. Lastly, we will launch a billboard marketing campaign to take advantage of increased highway traffic during the holiday season. Information from international advertising company, Lamar Advertising, suggests an estimated 5-year \$949,477 contract to cover 16 large metropolitan billboards. However, due to the Pocono Mountains' advertising 50/50 co-op, the required outlay is only \$474,738. This total one-time initial investment of \$564,968 will result in a significant increase in profit over the long-term.



Rebranding Vienna Lager generates an NPV of \$276,511 and IRR of 28.05%

The cash flows associated with redesigning Vienna Lager's label and holding a promotional event prove a worthwhile investment. The project leads to a net present value (NPV) of \$276,511 for the entire project with an internal rate of return (IRR) of 28.05%.^{xxvii} Our proposal's risk of net loss is minimal. In a computer-generated simulation of 10,000 trials that varied a range of 14 critical assumptions, 92.91% of trials resulted in a positive NPV, as shown visually in **Exhibit 13**. Furthermore, 56.8% of trials returned an NPV higher than our conservative \$276,511 estimate, with potential NPVs climbing as high as \$900,000. The comparatively low initial investment required to redesign a label and stage an event to promote it explain such attractive NPV and IRR figures. With the right designers, focus group data, and advertising to promote the roll-out, we are confident that the proper alignment of brewery message and label imagery will invigorate Devils Backbone Vienna Lager sales.

All proposed ventures are feasible due to AB InBev's financial health

Not only does AB InBev exhibit the overall financial health necessary to fund our proposals, but the actual investment required is also modest when compared to the firm's total annual marketing expense. Although AB InBev's liquidity ratios dipped in 2015, a great deal of this was due to the use of excess cash for share buybacks. The firm's low liquidity ratios are further explained by its quick cash conversion cycle; its average payment period is more than twice the average of its competitors and its average collection period is roughly half. This information partially justifies the disconnect between current assets and current liabilities, reassuring us of AB Inbev's overall financial health.

While the recent acquisition of SABMiller did require an almost unprecedented investment, the firm still pays far less for debt capital than its competitors do. For example, the alcoholic beverage industry's average cost of debt is 4.02%, while we estimate AB InBev's pre-tax cost of debt to be only 3.02%.^{xxviii} As **Appendix C** shows, AB InBev's cheaper cost of capital keeps coverage ratios high and further assures us of the firm's financial solvency. Lastly, our required initial investment of \$564,968 is only .0082% of the \$6.9 billion spent on sales and marketing in 2015, making this a markedly low-risk investment. The fact that we expect to recover our initial investment in less than two years further bolsters the practicality of our initiative.



Competition from craft brands in Northeast region poses risk to Vienna Lager

Although expansion throughout Region 1 is attractive due to the inevitable spike in sales, it is important to consider the risk of a flooded market for microbrews in the Northeast. There are many local, small craft brands that would be appealing to customers in Pennsylvania and the rest of the Northeast.^{xxix} However, Devils Backbone has the support, expertise, and resources of AB InBev, providing an advantage when competing against the other craft breweries. AB InBev faces the potential risk of product cannibalization of its other portfolio brands. However, Craig Weiner explicitly stated during a video conference that AB InBev treats each brand in its portfolio independently and disregards the potential impact of one brand's success on another brand when making expansion and promotion decisions.

Additionally, this flooded market of local Northeastern brands gives Vienna Lager the opportunity to present itself as *the* Virginian beer in other markets. With the new label and the associations it promotes, people will see it as the go-to beer for those who enjoy the outdoors, nature, and adventure. Devils Backbone can sell their product as a vehicle with which to export the best qualities of Virginia and the brewery itself to people from other states and geographic regions.

Vienna Lager currently enjoys great success with craft enthusiasts who appreciate its superior quality and authenticity. However, by capitalizing on Devils Backbone's Virginian roots and emphasis on an adventurous lifestyle, Vienna Lager can better appeal to craft dabblers and thus improve its hold on the Everyday Explorer customer segment. In order to rebrand Vienna Lager, Devils Backbone should redesign the bottle to feature the brewery's origin in the Blue Ridge Mountains and reflect the company's mission and core values. AB InBev should launch this revamped label at Pocono Mountain ski resorts to allow Vienna Lager to further establish itself in the state and to form associations between its brand and the outdoors. The short term and long term effects of rebranding Vienna Lager enable it to further penetrate the Pennsylvania and coveted Region 1 markets, respectively. Shortly after the launch event, AB InBev should begin



negotiating with major distributors in the Pennsylvania area to make Vienna Lager available in Pocono Mountain ski resort bars, as well as surrounding restaurants and grocery stores. After a few years of hosting the event, AB InBev and Devils Backbone will have cast a wide net of educated ambassadors in the Region 1 market to create a strong following and streamline the transition into the market. Repositioning Vienna Lager as an accessory to everyday adventure allows AB InBev to translate the mission and core values of Devils Backbone to consumers beyond Virginia.



Exhibit 1: Everyday Explorers present the greatest opportunity for expansion

*Refer to Appendix 1 for additional information about Everyday Explorers



“Sally” the Working Professional

- Working professional
- College educated
- Willing to pay for quality
- Health conscious



“Evan” the Everyday Explorer*

- Age range from 21-34 years old
- College educated
- Appreciates uniqueness, quality and authenticity of products
- Annual income above \$50,000
- Enjoys concerts and outdoor activities (cycling, skiing)
- Likely to share opinions on social media, specifically Snapchat and Instagram



“Chuck” the American Dad

- Conscious of price
- Brand loyal to macro brews
- Primarily drinks at home
- Less open to trying new things



“Tim” the Average Joe

- Very concerned with price
- Highly price sensitive
- Repeat buyer of same types and brands of beer



Exhibit 2: Survey finds that Vienna Lager buyers consider themselves craft enthusiasts

The hypothesis test and data analysis below incorporates data from a craft beer consumer survey conducted by University of Virginia Professor Derick Davis. Respondents were posed the question: “I am a craft beer drinker” and were asked to rate on a scale from 1-5 (with 1 being ‘Strongly Disagree’ and 5 being ‘Strong Agree’).

	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
I am a craft beer drinker (4)	○	○	○	○	○

The table below details the number of respondents who chose the respective rating (1-5). The second column details of those respondents, how many of them have purchased Vienna Lager before. Because the rating of a 3 was considered ‘Neither Agree nor Disagree’, we did not include this data into the analysis because the respondents could not be identified as agreeing or disagreeing with the statement.

Scale	Respondents to question	Have purchased Vienna Lager before
5	126	5
4	243	6
3	171	5
2	130	1
1	37	1

We further split the respondents up into two groups. Group 1 includes those who responded with a 4 or 5 rating. Group 2 includes those who responded with a 1 or 2.

	Total Number of respondents	Total number of respondents who have purchased
Group 1: Agree (4,5)	369	11
Group 2: Disagree (1,2)	167	2

A hypothesis test comparing two independent proportions indicates that craft beer enthusiasts (respondents who agree with the statement) are more likely to have purchased Vienna Lager in the past. Alternatively, those who do not consider themselves craft beer drinkers (craft dabblers) and are not as knowledgeable about craft are less likely to have heard of or purchased Vienna Lager. AB InBev and Devils Backbone should advertise its Vienna Lager more heavily to these consumers who otherwise would not go out of their way to look for the beer.



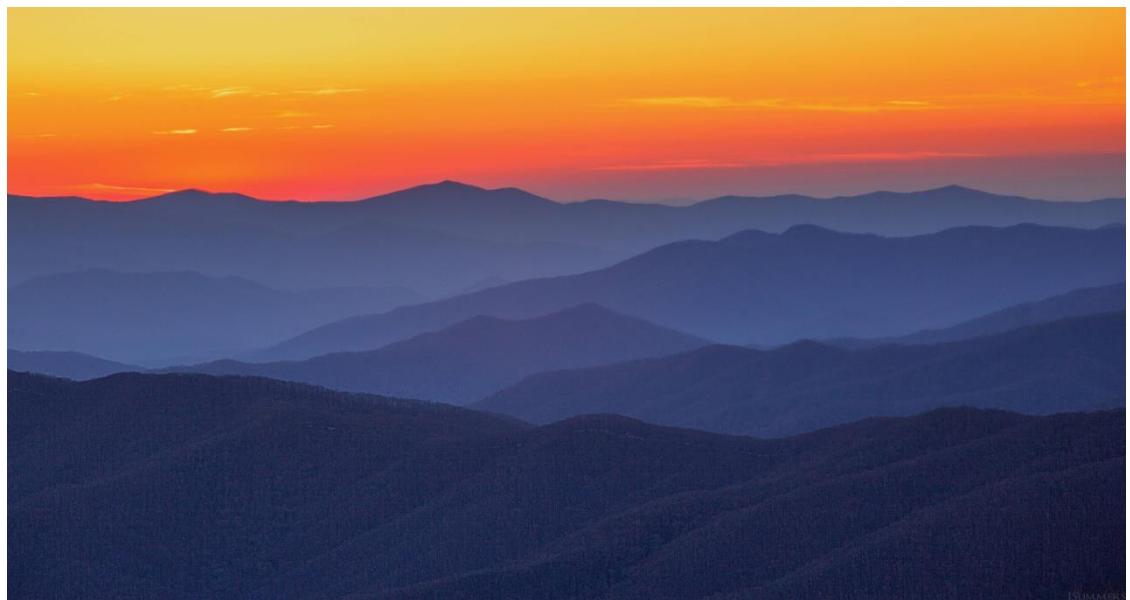
Exhibit 3: Vienna Lager drinkers care more about aspects of beer than non-VL drinkers

	All Beer		
	DB Drinkers	Non-DB Drinkers	Difference
Country of Origin	3.3	2.1	1.2
Calories	3.1	2.0	1.0
Color (light)	3.5	2.7	0.8
ABV	3.8	3.2	0.7
Packaging	3.0	2.4	0.6
Low Hoppiness (IBUs)	3.1	2.4	0.7
Mouthfeel	3.7	3.1	0.6
Aroma	3.6	3.1	0.5
Brand	3.8	3.4	0.4
High Hoppiness (IBUs)	2.8	2.4	0.4
Quality of Ingredients	3.9	3.5	0.4
Strong Flavor	3.6	3.2	0.3
Size of Brewer	2.2	1.8	0.3
Color (dark)	2.8	2.5	0.3
Unique	3.3	3.2	0.1

	Craft Beer		
	DB Drinkers	Non-DB Drinkers	Difference
Location	3.4	2.4	1.1
Size of Brewery	2.7	2.2	0.5
Can/Bottle	3.2	2.8	0.4
ABV	3.4	3.0	0.4
Brewery Story	2.8	2.4	0.3
Packaging	2.9	2.6	0.3
Seasonal	3.5	3.2	0.3
Production	3.7	3.5	0.2
Complex Recipe	3.3	3.2	0.0
Strong Flavor	3.4	3.3	0.0
Unique	3.5	3.5	0.0
Ingredient Quality	3.9	4.1	-0.1
Rarity	3.1	3.2	-0.1



Exhibit 4: New label incorporates hikers and landscape of the Blue Ridge Mountains



An actual image of the Blue Ridge Mountains

<http://imgur.com/OsSxjR0>



Exhibit 5: Favorable macro-trends lead to increased competition for craft brewers

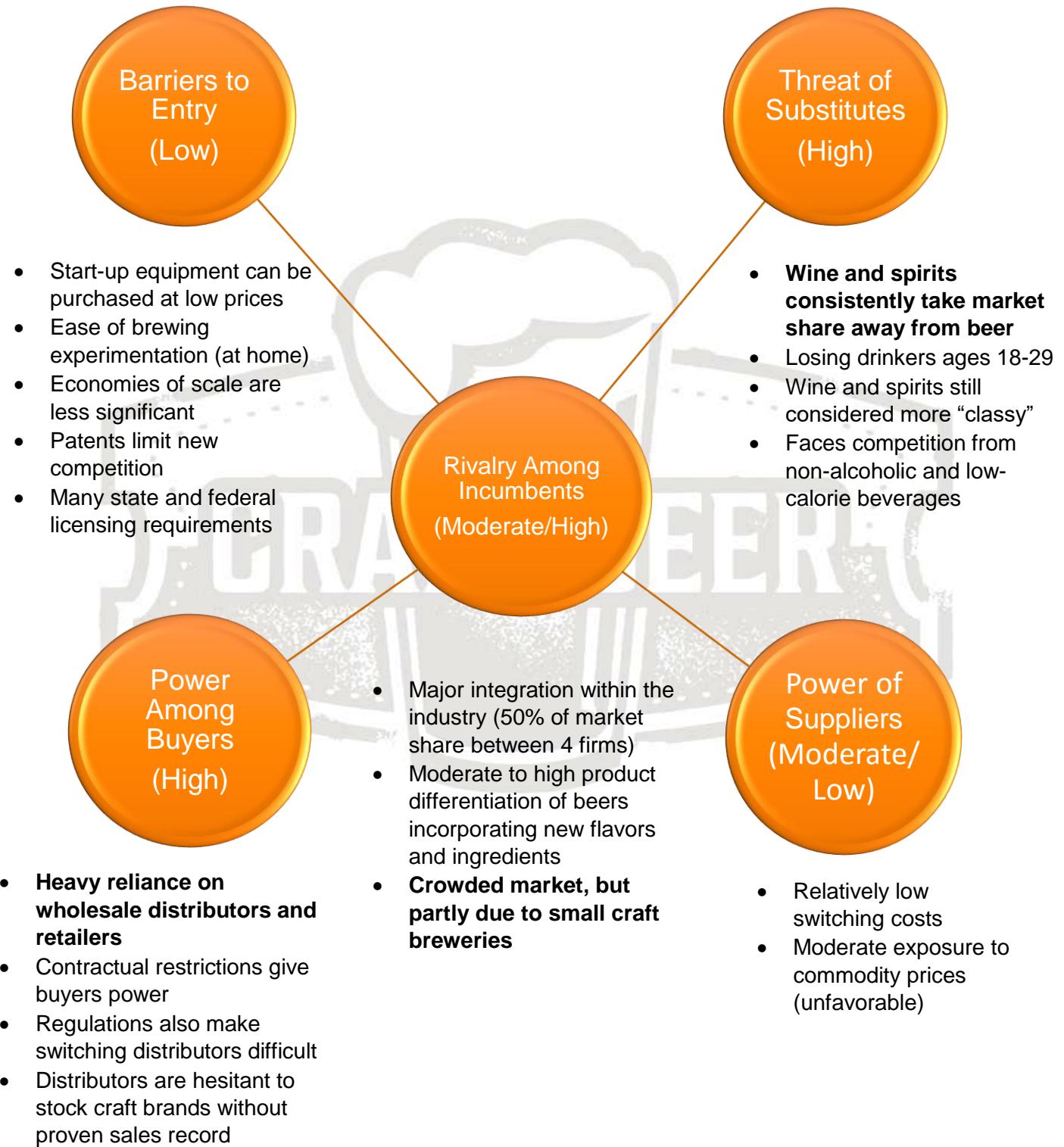




Exhibit 6: Substitutes and strong buyer power enhances rivalry among incumbents

PEST Analysis

Political:

- Tightening antitrust and competition laws
- Uncertainty in UK and European markets over Brexit
- Political attention toward health related issues
- Environmental policies and regulations
- Uncertainty over trade deals and regulations

Economic:

- Rising consumer confidence**
- Fluctuating foreign exchange rates
- Increasing wages and disposable income levels**
- Global uncertainty of Brexit and China's economic slowdown
- States are protecting small businesses

Societal:

- Trend toward healthier lifestyles
- Millennials more likely to spend money on occasions and experiences rather than material goods
- Growing desire for healthier foods, beverages, and ingredients
- Demographic changes - baby boomers are getting older while millennials represent the largest customer segment

Technological:

- Rise of Information Technology, Big Data, and business analytics
- Widespread use of smartphones**
- Increasing prevalence of social media**



Exhibit 7: Consumers interpret proposed label as more adventurous than the original



Consumers were given the following ten options, and were asked which words they associated with each of the above pictures.

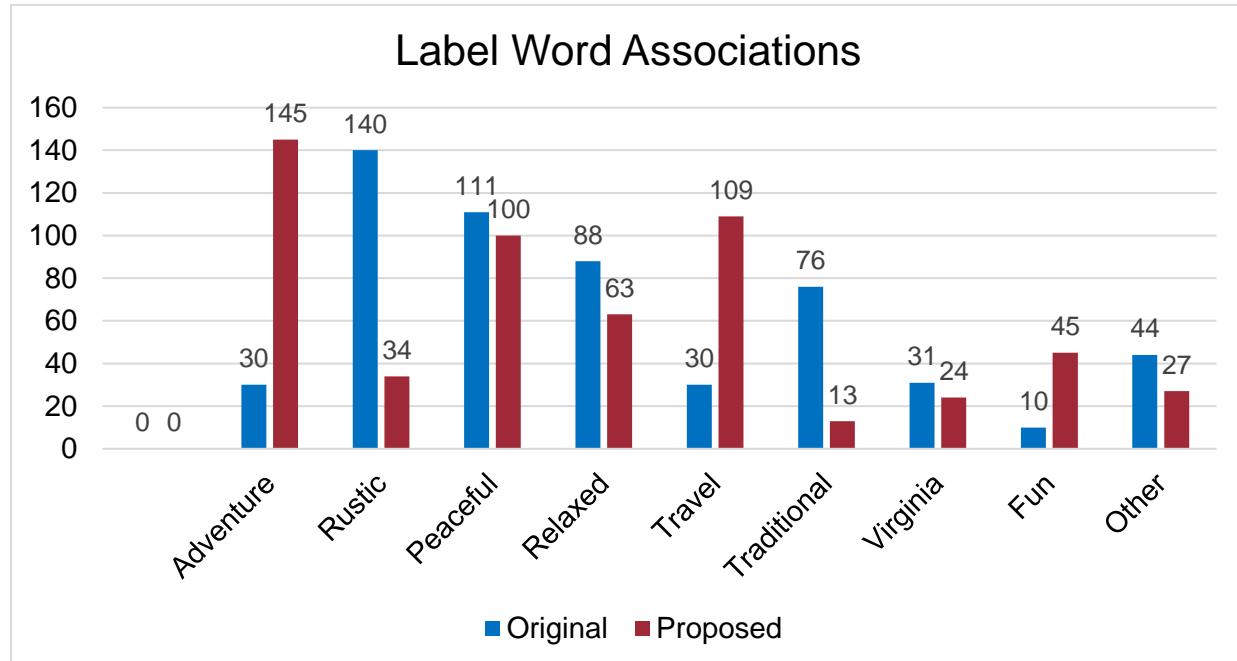
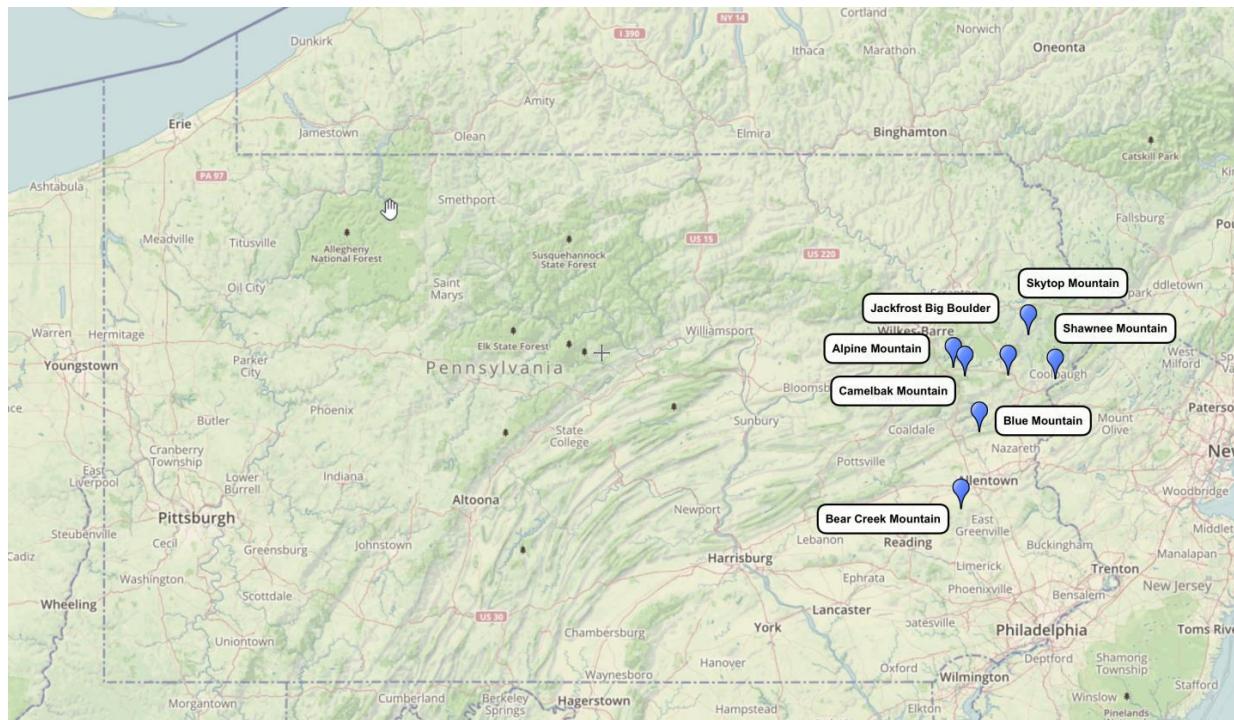




Exhibit 8: Focused launch in seven Poconos ski resorts promotes adventurous rebrand



Vienna Lager is sold scarcely within a 100-mile radius of the Pocono Mountains

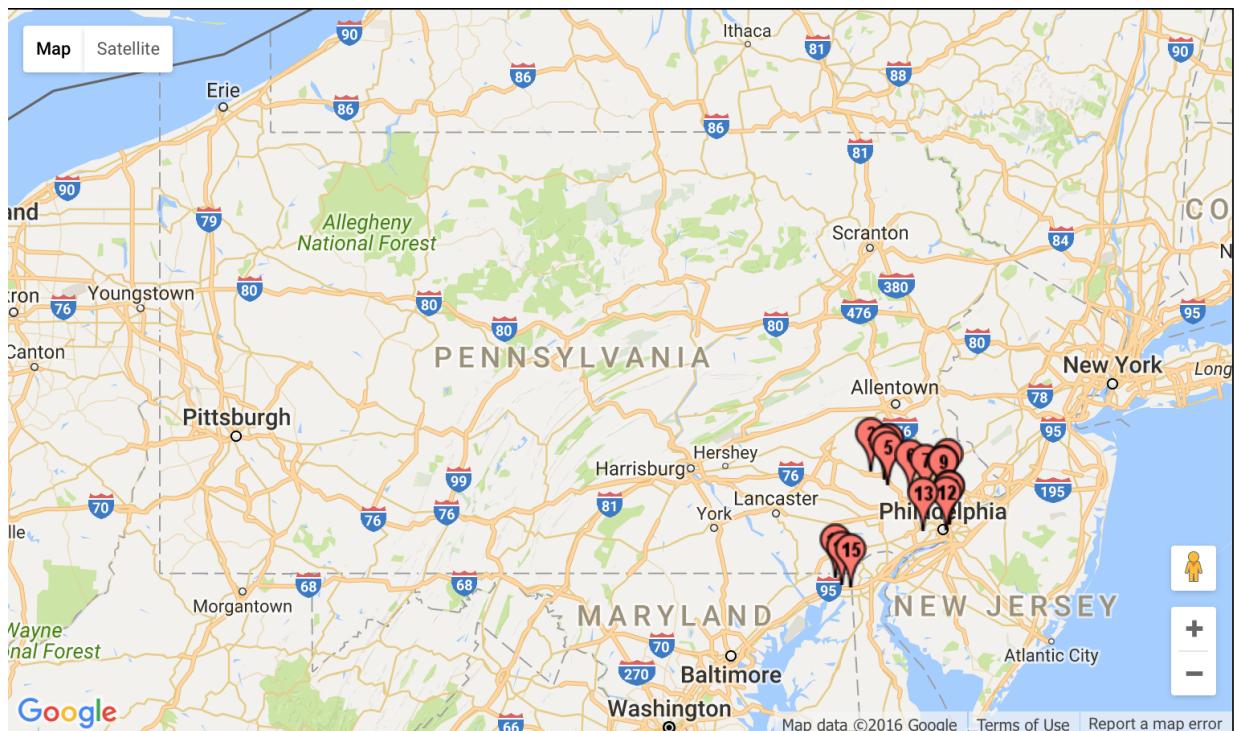
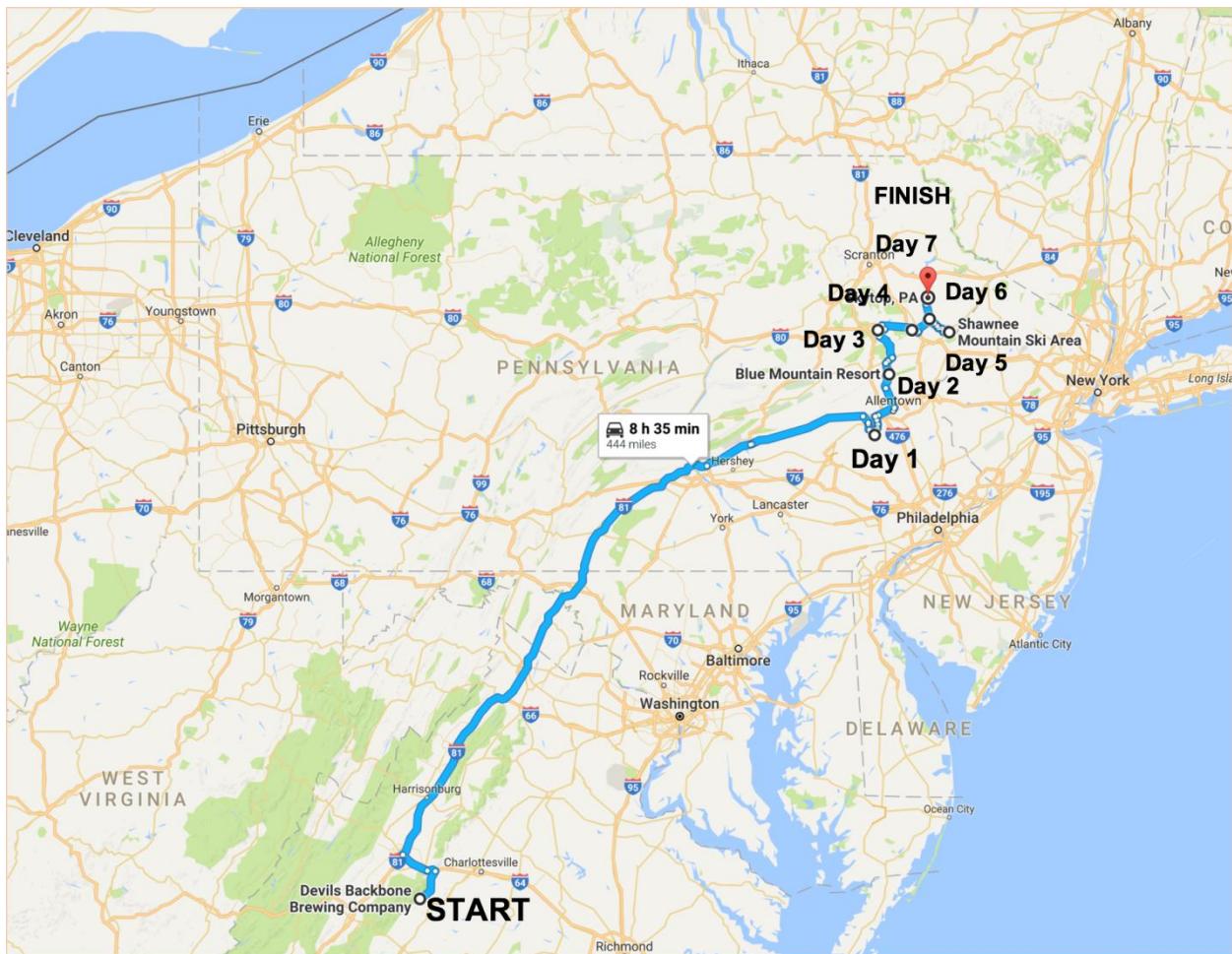




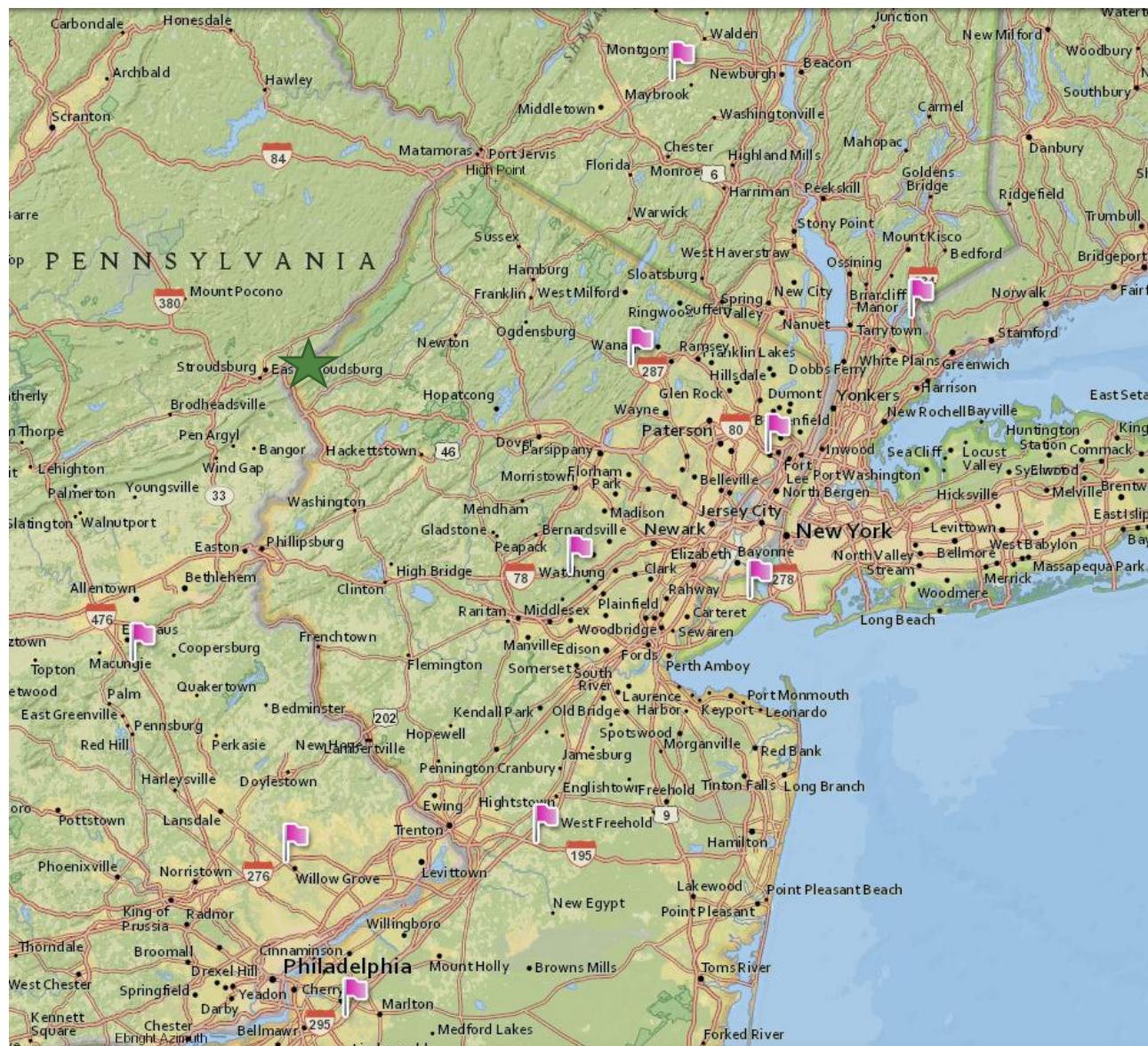
Exhibit 9: Focused route and timeline of Poconos ski resort event tour



Start: Devil's Backbone
Day 1: Bear Creek Mountain
Day 2: Blue Mountain
Day 3: Camelbak Mountain
Day 4: Alpine Mountain
Day 5: Jackfrost Big Boulder
Day 6: Shawnee Mountain
Day 7 (Finish): Skytop Mountain



Exhibit 10: Advertise in major cities and along highways for maximum exposure



National Geographic. Map Maker. National Geographic. <http://mapmaker.nationalgeographic.org/>, accessed November 2016.

Flags signify potential billboard placement locations



Exhibit 11: Facebook Ads Manager estimates potential campaign reach of 2.8M people

Locations ① Everyone in this location ▾

United States

- Mount Pocono, Pennsylvania + 50mi ▾
- New York, DMA®
- New York, New York + 50mi ▾
- Philadelphia, Pennsylvania + 50mi ▾

Include ▾ | Add locations

Add Bulk Locations...

Age ① 21 ▾ - 34 ▾

Gender ① All Men Women

Languages ① Enter a language...

Audience Definition

Your audience is defined.

Audience Details:

- Location:
 - United States: New York (+50 mi), New York; Mount Pocono (+50 mi), Philadelphia (+50 mi) Pennsylvania; New York (DMA)
- Age:
 - 21 - 34
- People Who Match:
 - Income: \$40,000 - \$50,000, \$50,000 - \$75,000, \$75,000 - \$100,000, \$100,000 - \$125,000, \$125,000 - \$150,000, \$150,000 - \$250,000, \$250,000 - \$350,000 or Over \$500,000
- And Must Also Match:
 - Interests: Skiing, Snowboarding, Winter sport, Ski resort, Snowboard, Craft Beer and Brewing, Craft Beer.

Potential Reach: 2,800,000 people

Estimated Daily Reach

35,000 - 92,000 people on Facebook

0 of 2,600,000

This is only an estimate. Numbers shown are based on the average performance of ads targeted to your selected audience.

Ad set duration: 20 days

For a \$15,000 budget, we can reach 35,000 to 92,000 people through Facebook advertisements.

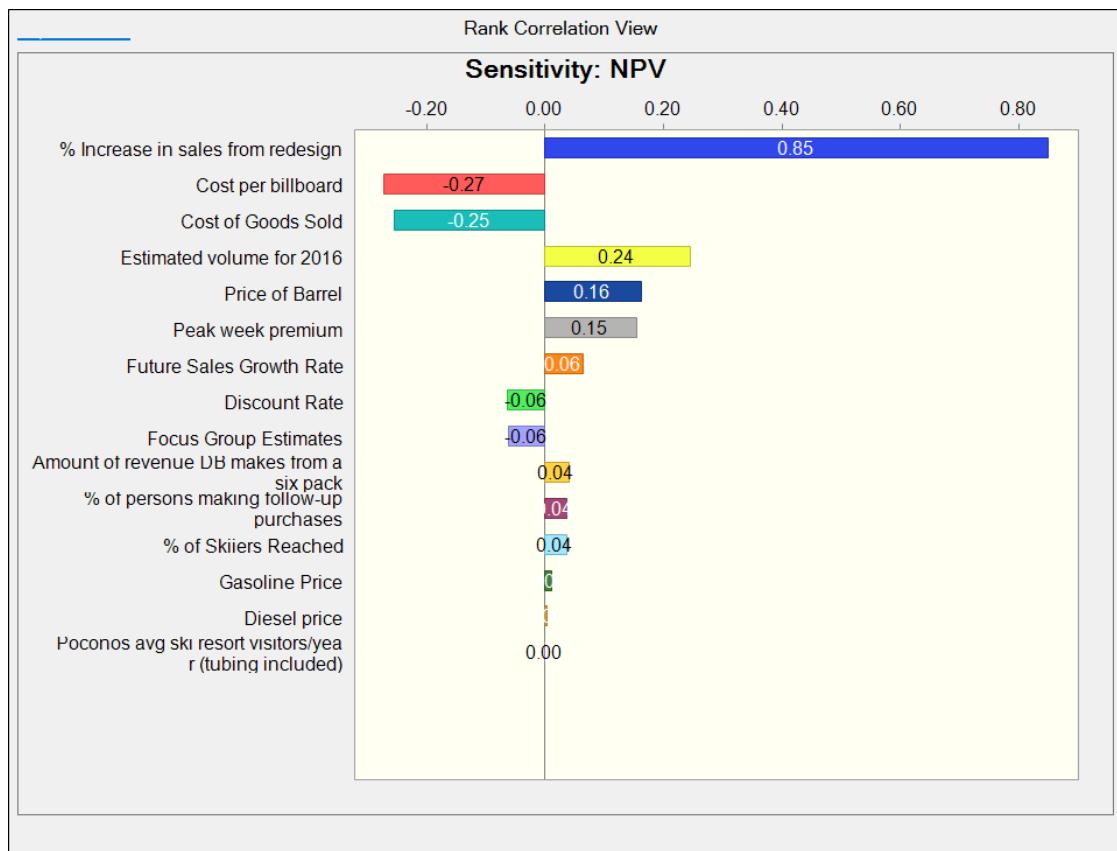
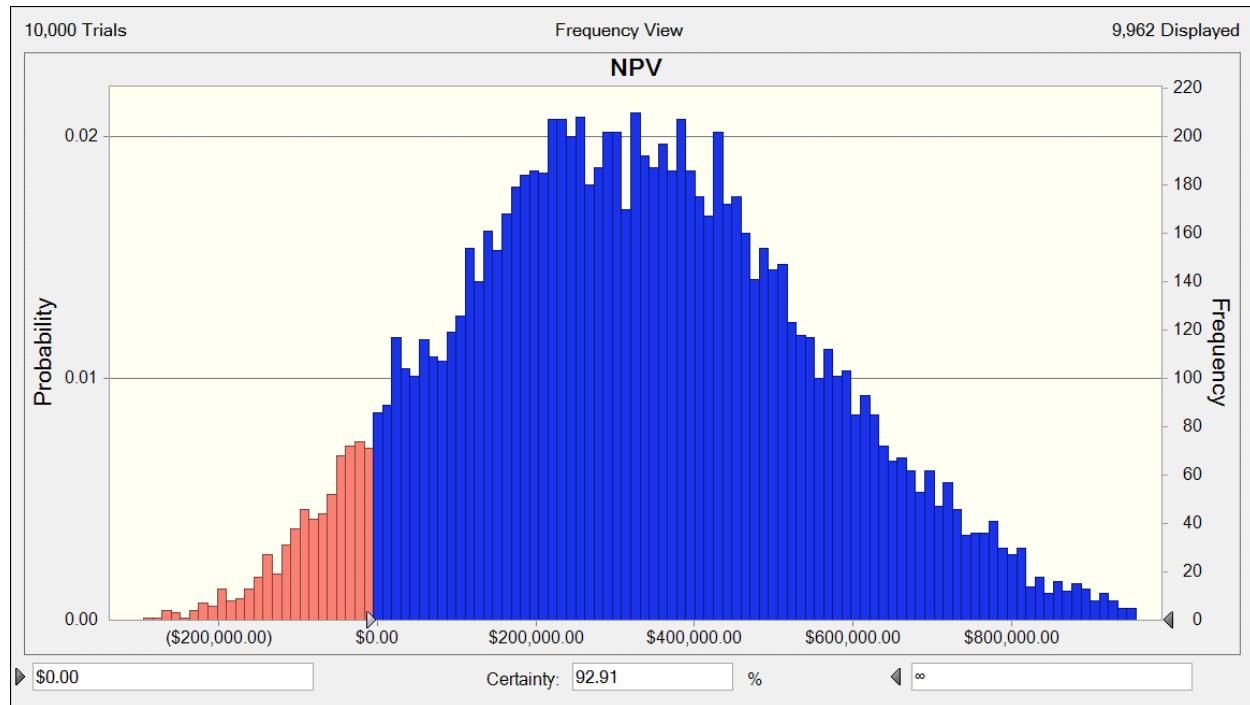


Exhibit 12: Rebranding Vienna Lager generates an NPV of \$276,511 and IRR of 28.05%

Investment Analysis						
Projected Revenue		Year 1	Year 2	Year 3	Year 4	Year 5
Sales Increase from New Label	670,890.00	565,377.30	455,930.04	333,227.10	308,901.52	
New Sales from Ski Event	26,442.12	25,120.01	23,864.01	22,670.81	21,537.27	
Incremental Revenue	697,332.12	590,497.31	476,794.05	355,897.91	330,438.79	
Projected Costs		Year 1	Year 2	Year 3	Year 4	Year 5
Incremental Cost of Goods Sold	292,879.49	248,008.87	200,253.50	149,477.12	138,784.29	
Event Staff Labor	2,822.82	2,822.82	2,822.82	2,822.82	2,822.82	
Truck Driver Labor	1,709.56	1,709.56	1,709.56	1,709.56	1,709.56	
Advertising Costs	18,500.00	18,500.00	18,500.00	18,500.00	18,500.00	
Cost of Samples	1,263.49	1,263.49	1,263.49	1,263.49	1,263.49	
Sampling License Fee	1,425.00	1,425.00	1,425.00	1,425.00	1,425.00	
Gas Expense	591.82	591.82	591.82	591.82	591.82	
Price of Cups	1,436.22	1,436.22	1,436.22	1,436.22	1,436.22	
Truck Rental Costs	3,120.00	3,120.00	3,120.00	3,120.00	3,120.00	
Incremental Operating Costs	(233,359.05)	(195,493.34)	(159,092.76)	(123,518.01)	(107,448.05)	
Depreciation		Year 1	Year 2	Year 3	Year 4	Year 5
New Assets	450.00	450.00	450.00	450.00	450.00	
Incremental Cash Flows						
		Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	697,332.12	590,497.31	476,794.05	355,897.91	330,438.79	
(Operating Costs)	(323,748.40)	(278,377.78)	(231,122.41)	(180,346.03)	(169,553.20)	
EBITDA	373,583.72	311,619.53	245,671.64	175,551.88	160,785.59	
(Depreciation)	(450.00)	(450.00)	(450.00)	(450.00)	(450.00)	
EBIT (Operating Income)	374,033.72	312,069.53	246,121.64	176,001.88	161,235.59	
(Taxes)	77,799.01	64,910.46	51,193.30	36,608.39	33,537.00	
After-tax EBIT	296,234.71	247,159.07	194,928.34	139,393.49	127,698.59	
+Depreciation	450.00	450.00	450.00	450.00	450.00	
Operating Cash Flow	296,684.71	247,609.07	195,378.34	139,843.49	128,148.59	
						New Assets
						2250
						Tables and Tents
						Depreciable Life
						5
						Terminal Book Value
						0
						Terminal Scrap Value
						0
						Annual Depreciation
						450
						Initial Outlay
						Graphic designer cost
						4,200
						Purchase of New Assets
						2,250
						Focus Group Costs
						83,800
						Upfront Billboard Contract
						474,738
						564,988
						Terminal Cash Flow
						Operating Cash Flow
						Terminal Scrap Value
						Terminal Tax Effect
						Recapture of Working Capital
						0
						128,149



Exhibit 13: We are 92.91% confident that our recommendation will yield a positive NPV





Appendix A: Regression analysis outputs from Consumer Data Survey

From University of Virginia marketing professor Derick Davis's survey, we conducted regression analyses to test the significance of each variable related to a consumer's likelihood of purchasing Vienna Lager. The following statistical tests have $p < 0.05$, indicating that each variable has a statistically significant influence over the likelihood of purchase. Most notably, we are 95% confident that Vienna Lager drinkers are more likely high quality ingredients and outdoor activities such as cycling and skiing.

Regression Analysis																														
R^2 : 0.008 n: 708 r : 0.091 k: 1 Std. Error: 0.880 Dep. Var.: Likely purch-Devil's Backbone																														
ANOVA table																														
<table border="1"> <thead> <tr> <th>Source</th><th>SS</th><th>df</th><th>MS</th><th>F</th><th>p-value</th></tr> </thead> <tbody> <tr> <td>Regression</td><td>4.5465</td><td>1</td><td>4.5465</td><td>5.87</td><td>0.0157</td></tr> <tr> <td>Residual</td><td>546.9620</td><td>706</td><td>0.7747</td><td></td><td></td></tr> <tr> <td>Total</td><td>551.5085</td><td>707</td><td></td><td></td><td></td></tr> </tbody> </table>							Source	SS	df	MS	F	p-value	Regression	4.5465	1	4.5465	5.87	0.0157	Residual	546.9620	706	0.7747			Total	551.5085	707			
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R^2 : 0.030 n: 708 Adjusted R^2 : 0.027 k: 2 R : 0.173 Std. Error: 0.160 Dep. Var.: Devil's Backbone-Vienna Lager purch once or more before																														
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Assumptions

Initial Outlay -- \$564,988

Graphic Designer Cost -- \$4,200 -- taken from Glassdoor Graphic Designer estimates

Purchase of New Assets -- \$2,250

(Cost of Tables + Cost of Tents)

Cost of Tables -- \$250--3 folding tables price taken from Staples catalogue

Cost of Tents -- \$1,000 -- 2 customized canopy logo tents, quoted by Tentcraft.com

Focus Group Costs -- \$83,800 -- 4 cities, three focus groups per city, derived from Athena Focus Group Cost Calculator

Upfront Billboard Cost -- \$474,738

((Cost per Billboard x # of billboards)/Poconos Advertising Split) x 5 years)

Cost per Billboard -- cost in Atlanta prorated by population

(Price per Billboard in Atlanta x (New York Population / Atlanta Population))

Price per Billboard in Atlanta -- \$3,000 -- taken from fitsmallbusiness.com article "How Much Does Billboard Advertising Cost?"

New York Designated Market Area Population -- 16.5 million -- taken from United States Census Bureau

Atlanta Designated Market Area Population -- 4.2 million -- taken from United States Census Bureau

of Billboards -- 16 -- Minimum number of billboards in advertising contract

Poconos Advertising Split -- 2 -- As per PMVB phone call, Poconos will pay half of all advertising costs to promote tourism

Y1 Projected Revenue -- \$697,332

Sales Increase from New Label -- \$670,890

(2016 DB Vienna Lager Sales x Future Sales Growth Rate x Increase in Sales from Redesign)

Estimated 2016 DB Vienna Lager Sales -- \$20,330,000

(Price of Barrel x Estimated 2016 Volume x VL% of DB Sales)

Price of Barrel -- \$214 -- price of a barrel of craft beer based on estimates from Deutsche Bank

Estimated 2016 Volume -- 95,000 barrels -- taken from Brewbound article "Anheuser Busch to acquire Devils Backbone"

VL% of DB Sales -- 60% -- estimate

Future Sales Growth -- 3% -- estimate based on AB Inbev Historical Average Sales Growth

Increase in Sales from Redesign -- 5.5% -- conservative estimate based on precedent described in July 2015 Nielsen CPG Innovation Report

We projected this number to decrease by 1% with every new year in the projection as the new label becomes less influential

New Sales from Ski Event -- \$26,442 -- projected benefit expected to decrease 5% each subsequent year

(Amount of Customers Reached x % of customers making follow-up purchase x DB Revenue from a 6-pack)

Amount of Customers Reached -- 11,134

(Customers Reached Per Resort x Number of Resorts)



Assumptions

Customers Reached per Resort .. 1,591

((Weekly Skiers x % over 21 x % reached)/7 days in a week)+Additional Patrons Reached at Night)

Weekly Skiers--909

((Avg Annual Poconos Ski Resort Visitors / # of resorts / ski weeks) + Peak Week Premium)

Avg Annual Poconos Ski Resort Visitors .. 1,250,364 -- taken from 2015 Poconos Mountains Visitors Bureau Records

of Resorts .. 7 -- Big Boulder, Blue Mountain, Camelback, Jack Frost, Shawnee, Big Bear, Skytop

Ski Weeks .. 17 -- Taken from Camelback Ski Season Calendar

Peak Week Premium .. 4,000 -- # of Extra Skiers for Peak Season, prorated based on Camelback lift ticket price % increase

% over 21 .. 73% -- Based on U.S. Census % of people under age 21

% Reached .. 60% -- estimated amount of 21yos who opt to sample

Additional Skiers Reached at Night-- Day Skiers x 75% -- estimated additional patrons that are participating in nightly activities/drinking

of Resorts .. 7 -- Big Boulder, Blue Mountain, Camelback, Jack Frost, Shawnee, Big Bear, Skytop

% of customers making a follow-up purchase .. 50% -- **conservative** estimate based on CLV from PORTMA Marketing Article by Mike Poirier

DB Revenue from one 6-pack .. \$4.75 -- taken from Huffington Post Article "Here's How a Six-Pack of Craft Beer Ends up Costing \$12"

Y1 Projected Costs -- \$233,359

Incremental Cost of Goods Sold -- \$292,879

((Sales Increase from New Label + New Sales from Ski Event) x (1-Gross Profit Margin))

Cost of Goods Sold .. 42% -- based on AB Inbev average historical margin (35%) and Boston Beer Co publicly-disclosed margin (48%)

Cost of Samples .. \$1,263.49

(Total Kegs Needed x Cost per Keg)

Total Kegs Needed .. 28.11

((Amount of Customers Reached x Ounces per Samples) / Ounces per half-barrel keg)

Amount of Customers Reached .. 11,134 -- (See Y1 Projected Revenue/New Sales from Ski Event)

Ounces per Sample .. 4 -- 1/3 of a standard sized beer

Ounces per half-barrel keg .. 1984 -- general knowledge

Cost per half-barrel keg .. \$44.94

(Price of Barrel x Cost of Goods Sold / 2)

Price of Barrel .. \$214 -- price of a barrel of craft beer based on estimates from Deutsche Bank

Cost of Goods Sold .. 42% -- based on AB Inbev average historical margin (35%) and Boston Beer Co publicly-disclosed margin (48%)

Advertising Costs .. \$18,500

(Snapchat Costs + Facebook Costs)

Snapchat Costs .. \$3,500



Assumptions

(Geofilter cost per day x 7 days)

Geofilter Cost per Day-- \$500-- estimated from snapchat.com/geofilters

Facebook Costs-- \$15,000-- estimated price to reach 35,000-92,000 people daily for a 20 day campaign (facebook.com/business)

Event Staff Labor-- \$2,823

((# of Staff x Hourly Rate x Hours per Event)+Lodging Cost per Night)x 7 Events)

of Staff-- 3-- estimated 3 people necessary to pour and hand out samples

Hourly Wage -- \$12.35-- event staff salary based on indeed.com estimate

Hours per Event -- 8-- hours necessary to conduct day and night events

Lodging Cost per Night -- \$106.86-- taken from Trip Advisor Poconos Hotel 2 beds

Truck Driver Labor -- \$1,709

((# of Drivers x Annual Bus Driver Salary / 52 weeks * 1 week needed)+Lodging Cost per Night)x 7 Events)

of Drivers-- 1-- 1 driver for rented truck

Annual Bus Driver Salary -- \$50,000-- estimated based on Payscale.com information

Lodging Cost per Night -- \$106.86-- taken from Trip Advisor Poconos Hotel 2 beds

Gas Expense -- \$592

(Truck Gas Expense + Car Gas Expense)

Truck Gas Expense -- \$474

(Miles Travelled / Miles per Gallon x Cost per Gallon)

Miles Travelled -- 12,000-- calculated from Google Maps

Truck Miles per Gallon -- 6-- taken from U.S. Center for Transportation Analysis

Cost per Diesel Gallon -- \$2.37-- taken from AAA gas price database

Car Gas Expense -- \$117.82

(Miles Travelled / Miles per Gallon x Cost per Gallon)

Miles Travelled -- 12,000-- calculated from Google Maps

Car Miles per Gallon -- 22-- taken from U.S. Center for Transportation Analysis

Cost per Gasoline Gallon -- \$2.16-- taken from AAA gas price database

Sampling License Fee -- \$1,425-- standard PA fee taken from brewersassociation.com

Price of Cups -- \$1.436

(Amount of Customers Reached x Price per Cup)

Amount of Customers Reached -- 11,134-- See Y1 Projected Revenue/New Sales from Ski Event)

Price per Cup -- \$0.13-- estimated from bulk supplier ULine website

Refrigerated Truck Rental Cost -- \$3,120-- estimated from Penske.com quote

Appendix C: Financial health analysis of AB InBev



AB InBev remains at the top of a struggling international brewing industry

The past year and a half have been rough for the brewing industry, though AB InBev has still managed to outperform its competitors. With its recent acquisition of SABMiller, AB InBev should enjoy a roughly 30% market share (1) of a \$545 billion world market in 2016 (2) but it will struggle to grow organically. The U.S. beer market alone shrunk .2% in 2015 despite steady growth in other industries. (3) AB InBev and its competitors saw sales shrink by an average of 8.6% in 2015. While Asian sales have flourished, reduced sales in North America, Latin America, and Europe pushed AB InBev sales down 7.35%. This made a significant cut into the company's net income (**-10.23% YOY**), though competitors like Molson Coor's (**-30.75% YOY**) and Carlsberg (**-166.29% YOY**) were hit significantly harder. Fortunately, it looks like AB InBev has been more profitable in the new year, with Q316 organic revenue up 2.8% from Q315 (4)

Overall, AB InBev has managed to maintain a relatively stable net profit margin around 19%, with an exception coming in 2013 when a revaluing of its Grupo Modelo acquisition boosted the net margin to 33.3%. The company's gross, operating, and net profit margins all outperformed industry averages. The only competitor that has beat AB InBev across the board is the spirits distributor, Diageo. This is not surprising given the steady encroachment of wine and spirits producers on the market share of brewers. AB InBev recently boasted a relatively healthy ROA of 6.14%, down from 6.47% in 2014. Its ROE actually increased from 18.44% to 19.63% in 2015, but only because of significant share repurchases that shrunk its common equity by 15.6%.

Though they lag in asset turnover, AB InBev leads in cash conversion cycle

AB InBev has maintained a steady total asset turnover, fixed asset turnover, and inventory turnover over the past few years. They do, however, fall short of their competitors in these metrics. This could point to poor management but more likely stems from the firm's sheer size. Though their inventory turnover of 5.99 is below the industry average of 7.23, AB InBev has a very solid cash conversion cycle. Their average collection period is 23 days shorter than the average and their average payment period is about 136 days longer. The firm's ability to bring in and maintain cash more efficiently than its counterparts is important when considering its ability to fund future initiatives like the one we have proposed.

Liquidity ratios fall short of competitors and historical figures

AB InBev's current and quick ratios are way below those of their competitors. Though this is partially explained by their short cash conversion cycle, short-term liquidity ratios are still at historic lows. AB InBev's size and history afford it leeway in conventional liquidity norms, but having a current ratio that is almost half of what it was 4 years ago is concerning. Furthermore, the relatively small gap between current and quick ratios indicates that AB InBev's problem does not simply stem from holding too much inventory. It is understandable that a firm with such a short average collection period and long average payment period would have lower liquidity ratios but the deviation from historically stronger figures is concerning.



Aggressive acquisitions have required aggressive debt issuances

AB InBev has recently taken on aberrantly high levels of debt. The company's 2015 equity multiplier of 3.2 was far above prior levels and substantially above all competitors except for Diageo. In January of 2016, the firm held the second largest bond issuance in history, offering \$46 billion of investment grade debt to assist in its purchase of SABMiller. (5) This will likely push the 2016 equity multiplier even higher. The considerable assumption of long-term debt has resulted in historically and comparatively high debt/assets and long-term debt/equity ratios.

High coverage ratios offset fears of overleverage

Though the January debt issuing likely hurt overall debt management ratios, AB InBev has still demonstrated the ability to easily handle its financial obligations in the short-term. Its cost of debt is among the cheapest, both within the brewing industry and outside, and its managed to maintain a healthy interest coverage ratio. Higher long-term debt may make it harder to cover interest and principal payments in the future but for now, AB InBev is unlikely to have any problems meeting its debt obligations. Furthermore, its additional leverage offers equity investors a way to maintain high returns in a cooling industry.

Despite dip in sales, market perception is strong as ever

Both time-series and cross-sectional analyses show investors are more confident in AB InBev's future than ever. AB InBev (NYSE: BUD) hit an all-time high of 131.88 in September 2016 before dropping substantially on the heels of a Q3 earnings miss and rumored Coca-Cola acquisition. The firm's TTM P/E, Market/Book, and Price/Sales ratios are all almost double what they were five years ago. AB InBev also exhibits higher ratios than all of its featured competitors, with the exception of Molson Coors. This is likely due to its massive market share and aggressive expansion. Molson Coor's P/E and Price/Sales ratios are slightly higher than AB InBev's but this is expected from smaller firms with more room to grow. Though its size makes it less risky overall, its comparatively high leverage puts its beta significantly above those of its competitors, with the exception of profit-negative Carlsberg.

While the high ratios are partially due to shrinking shareholder's equity, climbing share prices still suggest investors are confident in AB InBev's ability to maintain its voracious growth. The acquisition of its largest competitor, as well as the \$100 billion revenue goal outlined in ABI's "2020 Dream Incentive Plan," (6) have certainly stoked this positive sentiment. AB InBev is a dominant international force that has clearly demonstrated its commitment to extraordinary growth and investors are valuing it higher than they ever have before.



Appendix D: Sensitivity analysis for Net Present Value calculation

NPV		Revenue Growth Rate from Label				
Cost per Billboard	\$276,511.35	3.50%	4.50%	5.50%	6.50%	7.50%
	\$2,000	-\$44,628	\$195,065	\$434,757	\$674,450	\$914,143
	\$2,500	-\$123,751	\$115,942	\$355,634	\$595,327	\$835,020
	\$3,000	-\$202,874	\$36,819	\$276,511	\$516,204	\$755,897
	\$3,500	-\$281,997	-\$42,304	\$197,388	\$437,081	\$676,774
	\$4,000	-\$361,120	-\$121,427	\$118,265	\$357,958	\$597,650
NPV		2016 Estimated Sales Volume				
Cost of Goods Sold	\$276,511.35	85,000	90,000	95,000	100,000	105,000
	38%	\$241,118	\$291,323	\$341,528	\$391,733	\$441,938
	40%	\$211,849	\$260,434	\$309,020	\$357,605	\$406,191
	42%	\$182,579	\$229,545	\$276,511	\$323,477	\$370,443
	44%	\$153,310	\$198,657	\$244,003	\$289,349	\$334,696
	46%	\$124,041	\$167,768	\$211,495	\$255,222	\$298,949
NPV		Future Sales Growth Rate				
Discount Rate	\$276,511.35	1%	2%	3%	4%	5%
	5.5%	\$289,422	\$302,608	\$316,016	\$329,651	\$343,515
	6.5%	\$270,196	\$282,929	\$295,876	\$309,040	\$322,424
	7.5%	\$251,702	\$264,004	\$276,511	\$289,227	\$302,153
	8.5%	\$233,905	\$245,795	\$257,882	\$270,169	\$282,659
	9.5%	\$216,768	\$228,265	\$239,951	\$251,829	\$263,902
NPV		Revenue per Barrel				
Cost of Goods Sold	\$276,511.35	\$194	\$204	\$214	\$224	\$234
	38%	\$252,721	\$297,125	\$341,528	\$385,931	\$430,335
	40%	\$223,107	\$266,063	\$309,020	\$351,976	\$394,933
	42%	\$193,492	\$235,002	\$276,511	\$318,021	\$359,531
	44%	\$163,878	\$203,940	\$244,003	\$284,066	\$324,128
	46%	\$134,263	\$172,879	\$211,495	\$250,110	\$288,726
NPV		Peak Week Premium				
Persons Making Followup Purchase	\$276,511.35	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
	40%	\$263,804	\$265,678	\$267,552	\$269,426	\$271,300
	45%	\$267,666	\$269,849	\$272,032	\$274,214	\$276,397
	50%	\$271,528	\$274,020	\$276,511	\$279,003	\$281,495
	55%	\$275,390	\$278,191	\$280,991	\$283,792	\$286,592
	60%	\$279,252	\$282,362	\$285,471	\$288,580	\$291,689



Appendix E: Historical income statements of AB InBev

Historical Income Statements		ANHEUSER-BUSCH INBEV -ADR				
	(in \$000s)	Dec11	Dec12	Dec13	Dec14	Dec15
1	Sales	39,046,000	39,758,000	43,195,000	47,063,000	43,604,000
2	- Cost of Goods Sold	13,944,000	13,762,000	14,693,000	15,565,000	17,137,000
3	Gross Profit	25,102,000	25,996,000	28,502,000	31,498,000	26,467,000
4	- SG&A Expense	10,499,000	11,230,000	12,714,000	14,509,000	11,200,000
5	EBITDA	14,603,000	14,766,000	15,788,000	16,989,000	15,267,000
6	- Depreciation & Amortization	2,690,000	2,685,000	2,901,000	3,192,000	3,153,000
7	Operating Income (EBIT)	11,913,000	12,081,000	12,887,000	13,797,000	12,114,000
8	- Interest Expense	3,084,000	2,427,000	2,587,000	2,676,000	2,417,000
9	+ Non-Operating Income	1,804,000	1,547,000	1,711,000	2,145,000	2,628,000
10	+ Special Items	(818,000)	(50,000)	6,523,000	535,000	136,000
11	Earnings Before Tax (EBT)	9,815,000	11,151,000	18,534,000	13,801,000	12,461,000
12	- Taxes	1,856,000	1,717,000	2,016,000	2,499,000	2,594,000
13	- Minority Interest Payments	2,104,000	2,191,000	2,124,000	2,086,000	1,594,000
14	- Preferred Dividends	-	-	-	-	-
15	Net Income	5,855,000	7,243,000	14,394,000	9,216,000	8,273,000
16	+ Extraordinary Items	-	-	-	-	-
17	+ Discontinued Operations	-	-	-	-	-
18	Adjusted Net Income	5,855,000	7,243,000	14,394,000	9,216,000	8,273,000
Additional Information						
19	Basic EPS* (EPSPI)	\$3.63	\$4.45	\$8.72	\$5.54	\$4.96
20	Dividends per Share (DVPSX)	\$1.18	\$1.56	\$3.03	\$3.24	\$3.95
22	Outstanding Shares	1,595,000.00	1,600,000.00	1,617,000.00	1,634,000.00	1,638,000.00
22	Price per Share	\$60.14	\$86.81	\$106.46	\$113.00	\$127.39
23	Beta Coefficient	-	0.52	0.63	0.93	1.01



Appendix F: Historical balance sheets of AB InBev

Historical Balance Sheets		ANHEUSER-BUSCH INBEV -ADR				
		Dec11	Dec12	Dec13	Dec14	Dec15
ASSETS (\$000s)						
1	Operating Cash*	275,240	278,880	275,240	293,860	311,300
2	Marketable Securities*	5,147,760	13,599,120	9,686,760	8,364,140	6,666,700
3	Net Receivables	3,340,000	3,367,000	4,471,000	4,517,000	3,241,000
4	Inventories	2,466,000	2,500,000	2,950,000	2,974,000	2,862,000
5	Other Current Assets	1,094,000	885,000	1,307,000	2,392,000	5,213,000
6	Current Assets	12,323,000	20,630,000	18,690,000	18,541,000	18,294,000
7	Gross Fixed Assets	31,357,000	33,108,000	38,107,000	37,485,000	35,329,000
8	- Accumulated Depreciation	15,335,000	16,647,000	17,218,000	17,222,000	16,377,000
9	Net Fixed Assets	16,022,000	16,461,000	20,889,000	20,263,000	18,952,000
10	Investments	7,352,000	8,023,000	1,235,000	1,235,000	555,000
11	Intangibles	75,120,000	76,137,000	99,265,000	100,681,000	94,738,000
12	Other Assets	1,610,000	1,370,000	1,587,000	1,830,000	2,096,000
13	Total Assets	112,427,000	122,621,000	141,666,000	142,550,000	134,635,000
CLAIMS (\$000s)						
14	Long Term Debt Due In One Year	5,559,000	5,390,000	7,846,000	7,451,000	5,912,000
15	Notes Payable	8,000	-	6,000	41,000	13,000
16	Accounts Payable	7,709,000	8,476,000	9,834,000	10,913,000	12,500,000
17	Taxes Payable	499,000	543,000	1,105,000	629,000	669,000
18	Other Current Liabilities	5,869,000	5,999,000	6,836,000	8,174,000	9,362,000
19	Current Liabilities	19,644,000	20,408,000	25,627,000	27,208,000	28,456,000
20	Long Term Debt	34,598,000	38,951,000	41,274,000	43,630,000	43,541,000
21	Deferred Taxes & ITCs	11,279,000	11,168,000	12,841,000	12,701,000	11,961,000
22	Minority Interest	3,552,000	4,299,000	4,943,000	4,285,000	3,582,000
23	Other Liabilities	5,862,000	6,653,000	6,616,000	4,754,000	4,958,000
24	Preferred Stock	-	-	-	-	-
25	Common Stock	1,734,000	1,734,000	1,735,000	1,736,000	1,736,000
26	Capital Surplus	18,093,000	18,267,000	18,493,000	18,700,000	17,620,000
27	Retained Earnings	18,059,000	21,382,000	30,234,000	29,599,000	35,949,000
28	- Treasury Stock	394,000	241,000	97,000	63,000	13,168,000
29	Common Equity	37,492,000	41,142,000	50,365,000	49,972,000	42,137,000
30	Total Claims	112,427,000	122,621,000	141,666,000	142,550,000	134,635,000



Appendix G: Common size income statements of AB InBev

Historical Income Statements (% of sales)		ANHEUSER-BUSCH INBEV -ADR					
	(in \$000s)	Dec11	Dec12	Dec13	Dec14	Dec15	AVERAGE
1	Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2	- Cost of Goods Sold	35.7%	34.6%	34.0%	33.1%	39.3%	35.3%
3	Gross Profit	64.3%	65.4%	66.0%	66.9%	60.7%	64.7%
4	- SG&A Expense	26.9%	28.2%	29.4%	30.8%	25.7%	28.2%
5	EBITDA	37.4%	37.1%	36.6%	36.1%	35.0%	36.4%
6	- Depreciation & Amortization	6.9%	6.8%	6.7%	6.8%	7.2%	6.9%
7	Operating Income (EBIT)	30.5%	30.4%	29.8%	29.3%	27.8%	29.6%
8	- Interest Expense	7.9%	6.1%	6.0%	5.7%	5.5%	6.2%
9	+ Non-Operating Income	4.6%	3.9%	4.0%	4.6%	6.0%	4.6%
10	+ Special Items	-2.1%	-0.1%	15.1%	1.1%	0.3%	2.9%
11	Earnings Before Tax	25.1%	28.0%	42.9%	29.3%	28.6%	30.8%
12	- Taxes	4.8%	4.3%	4.7%	5.3%	5.9%	5.0%
13	- Minority Interest Payments	5.4%	5.5%	4.9%	4.4%	3.7%	4.8%
14	- Preferred Dividends	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	Net Income	15.0%	18.2%	33.3%	19.6%	19.0%	21.0%
16	+ Extraordinary Items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
17	+ Discontinued Operations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	Adjusted Net Income	15.0%	18.2%	33.3%	19.6%	19.0%	21.0%



Appendix H: Common size balance sheets of AB InBev

Historical Balance Sheets (% of sales)		ANHEUSER-BUSCH INBEV -ADR					
		Dec11	Dec12	Dec13	Dec14	Dec15	AVERAGE
ASSETS (\$000s)							
1	Operating Cash*	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%
2	Marketable Securities*	13.2%	34.2%	22.4%	17.8%	15.3%	20.6%
3	Net Receivables	8.6%	8.5%	10.4%	9.6%	7.4%	8.9%
4	Inventories	6.3%	6.3%	6.8%	6.3%	6.6%	6.5%
5	Other Current Assets	2.8%	2.2%	3.0%	5.1%	12.0%	5.0%
6	Current Assets	31.6%	51.9%	43.3%	39.4%	42.0%	41.6%
		0.0%	0.0%	0.0%	0.0%	0.0%	
7	Gross Fixed Assets	80.3%	83.3%	88.2%	79.6%	81.0%	82.5%
8	- Accumulated Depreciation	39.3%	41.9%	39.9%	36.6%	37.6%	39.0%
9	Net Fixed Assets	41.0%	41.4%	48.4%	43.1%	43.5%	43.5%
		0.0%	0.0%	0.0%	0.0%	0.0%	
10	Investments	18.8%	20.2%	2.9%	2.6%	1.3%	9.2%
11	Intangibles	192.4%	191.5%	229.8%	213.9%	217.3%	209.0%
12	Other Assets	4.1%	3.4%	3.7%	3.9%	4.8%	4.0%
13	Total Assets	287.9%	308.4%	328.0%	302.9%	308.8%	307.2%
CLAIMS (\$000s)							
14	Long Term Debt Due In One Year	14.2%	13.6%	18.2%	15.8%	13.6%	15.1%
15	Notes Payable	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
16	Accounts Payable	19.7%	21.3%	22.8%	23.2%	28.7%	23.1%
17	Taxes Payable	1.3%	1.4%	2.6%	1.3%	1.5%	1.6%
18	Other Current Liabilities	15.0%	15.1%	15.8%	17.4%	21.5%	17.0%
19	Current Liabilities	50.3%	51.3%	59.3%	57.8%	65.3%	56.8%
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20	Long Term Debt	88.6%	98.0%	95.6%	92.7%	99.9%	94.9%
21	Deferred Taxes & ITCs	28.9%	28.1%	29.7%	27.0%	27.4%	28.2%
22	Minority Interest	9.1%	10.8%	11.4%	9.1%	8.2%	9.7%
23	Other Liabilities	15.0%	16.7%	15.3%	10.1%	11.4%	13.7%
24	Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
25	Common Stock	4.4%	4.4%	4.0%	3.7%	4.0%	4.1%
26	Capital Surplus	46.3%	45.9%	42.8%	39.7%	40.4%	43.0%
27	Retained Earnings	46.3%	53.8%	70.0%	62.9%	82.4%	63.1%
30	Total Claims	287.9%	308.4%	328.0%	302.9%	308.8%	307.2%



Appendix I: Historical sources and uses of funds of AB InBev

Historical Sources and Uses of Funds			ANHEUSER-BUSCH INBEV -ADR			
	Dec13		Dec14		Dec15	
	Sources	Uses	Sources	Uses	Sources	Uses
ASSETS (\$000s)						
1 Operating Cash*	3,640	-	-	18,620	-	17,440
2 Marketable Securities*	3,912,360	-	1,322,620	-	1,697,440	-
3 Receivables Net	-	1,104,000	-	46,000	1,276,000	-
4 Inventories	-	450,000	-	24,000	112,000	-
5 Other Current Assets	-	422,000	-	1,085,000	-	2,821,000
6 Gross Fixed Assets - Accumulated Depreciation	-	4,999,000	622,000	-	2,156,000	-
7 Investments	571,000	-	4,000	-	-	845,000
8 Intangibles	6,788,000	-	-	-	680,000	-
9 Other Assets	-	23,128,000	-	1,416,000	5,943,000	-
10	-	217,000	-	243,000	-	266,000
CLAIMS (\$000s)						
11 Long Term Debt Due In One Year	2,456,000	-	-	395,000	-	1,539,000
12 Notes Payable Accounts	6,000	-	35,000	-	-	28,000
13 Payable	1,358,000	-	1,079,000	-	1,587,000	-
14 Taxes Payable	562,000	-	-	476,000	40,000	-
15 Other Current Liabilities	837,000	-	1,338,000	-	1,188,000	-
16 Long Term Debt Deferred Taxes	2,323,000	-	2,356,000	-	-	89,000
17 & ITCs Minority Interest	1,673,000	-	-	140,000	-	740,000
18	644,000	-	-	658,000	-	703,000
19 Other Liabilities	-	37,000	-	1,862,000	204,000	-
20 Preferred Stock	-	-	-	-	-	-
21 Common Stock	1,000	-	1,000	-	-	-
22 Capital Surplus Retained Earnings	226,000	-	207,000	-	-	1,080,000
23	8,852,000	-	-	635,000	6,350,000	-
24 Treasury Stock	144,000	-	34,000	-	-	13,105,000
	30,357,000	30,357,000	6,998,620	6,998,620	21,233,440	21,233,440



Appendix J: Historical ratio analysis of AB InBev

Historical Ratio Analysis						ANHEUSER-BUSCH INBEV -ADR
	Dec11	Dec12	Dec13	Dec14	Dec15	Avg
Liquidity Ratios						
1 Current Ratio	0.63	1.01	0.73	0.68	0.64	0.74
2 Quick Ratio	0.50	0.89	0.61	0.57	0.54	0.62
Profitability Ratios						
3 Net Profit Margin	15.0%	18.2%	33.3%	19.6%	19.0%	21.0%
4 Operating Profit Margin	30.5%	30.4%	29.8%	29.3%	27.8%	29.6%
5 Gross Profit Margin	64.3%	65.4%	66.0%	66.9%	60.7%	64.7%
6 Return on Assets (ROA)	5.2%	5.9%	10.2%	6.5%	6.1%	6.8%
7 Return on Equity (ROE)	15.6%	17.6%	28.6%	18.4%	19.6%	20.0%
Activity Ratios						
8 Inventory Turnover	5.65	5.50	4.98	5.23	5.99	5.47
9 Fixed Asset Turnover	2.44	2.42	2.07	2.32	2.30	2.31
10 Total Asset Turnover	0.35	0.32	0.30	0.33	0.32	0.33
11 Avg Collection Period	31.2 days	30.9 days	37.8 days	35.0 days	27.1 days	32.41 days
12 Avg Payment Period	201.8 days	224.8 days	244.3 days	255.9 days	266.2 days	238.61 days
Debt Management Ratios						
13 Times Interest Earned	3.9 x	5.0 x	5.0 x	5.2 x	5.0 x	4.8 x
14 Debt/Assets Ratio	35.72%	36.16%	34.67%	35.83%	36.73%	35.82%
15 Long-term Debt/Equity	0.48	0.49	0.45	0.47	0.51	0.48
Market Perception Ratios						
16 Price/Earnings (trailing)	16.57	19.51	12.21	20.40	25.68	18.87
17 Market/Book	2.56	3.38	3.42	3.69	4.95	3.60
18 Price/Sales	2.46	3.49	3.99	3.92	4.79	3.73
duPont Analysis						
19 Return on Assets (ROA)	5.21%	5.91%	10.16%	6.47%	6.14%	6.78%
20 Net Profit Margin	15.00%	18.22%	33.32%	19.58%	18.97%	21.02%
21 Total Asset Turnover	.35 x	.32 x	.30 x	.33 x	.32 x	.33 x
22 Return on Begin Equity (ROE*)		17.60%	28.58%	18.44%	19.63%	21.07%
23 Equity Multiplier*	3.00	2.98	2.81	2.85	3.20	2.97
Other Information						
24 Price per Share @ FYE	\$60.14	\$86.81	\$106.46	\$113.00	\$127.39	\$98.76
25 Earnings Per Share	\$3.63	\$4.45	\$8.72	\$5.54	\$4.96	\$5.46
26 Dividend Payout Ratio	32.51%	35.06%	34.75%	58.48%	79.64%	48.09%
27 Beta Coefficient (Plain vanilla)	-	0.52	0.63	0.93	1.01	0.62
Growth Rates						
28 Sales	na	1.82%	8.64%	8.95%	-7.35%	3.02%
29 Net Income		23.71%	98.73%	-35.97%	-10.23%	19.06%
30 Accounts Receivable		0.81%	32.79%	1.03%	-28.25%	1.59%
31 Inventory		1.38%	18.00%	0.81%	-3.77%	4.11%
32 Gross Fixed Assets		5.58%	15.10%	-1.63%	-5.75%	3.32%
Dividends		32.20%	94.23%	6.93%	21.91%	38.82%
Sustainable Growth						
33 Net Profit Margin (P)	15.00%	18.22%	33.32%	19.58%	18.97%	0.21
34 Retention Rate R	67.49%	64.94%	65.25%	41.52%	20.36%	51.91%
35 Total Asset Turnover (A)	0.35	0.32	0.30	0.33	0.32	0.33
36 Equity Multiplier* (T-hat)	3.00	2.98	2.81	2.85	3.20	2.97
Sustainable growth	0.0%	11.4%	18.6%	7.7%	4.0%	0.08



Appendix K: Comparable ratio analysis of AB InBev and its closest competitors

Comparable Ratio Analysis						
	Carlsberg	Diageo	Heineken	Molson Coors	ABI	Avg
Liquidity Ratios						
1 Current Ratio	0.58	1.43	0.69	1.03	0.64	0.88
2 Quick Ratio	0.45	0.69	0.49	0.89	0.54	0.61
Profitability Ratios						
3 Net Profit Margin (Adjusted)	-4.5%	21.4%	9.2%	10.1%	19.0%	11.0%
4 Operating Profit Margin	12.9%	28.5%	13.1%	10.1%	27.8%	18.5%
5 Gross Profit Margin	48.8%	62.8%	20.5%	44.8%	60.7%	47.6%
6 Return on Assets (ROA)	-2.3%	7.9%	5.0%	2.9%	6.1%	3.9%
7 Return on Equity (ROE)	-6.7%	26.3%	14.0%	5.1%	19.6%	11.7%
Activity Ratios						
8 Inventory Turnover	8.76	0.85	9.58	10.98	5.99	7.23
9 Fixed Asset Turnover	2.45	2.70	2.15	2.24	2.30	2.37
10 Total Asset Turnover	0.52	0.37	0.54	0.29	0.32	0.41
11 Avg Collection Period	32.0	86.9	50.8 days	53.8 days	27.1 days	50.13 days
12 Avg Payment Period	133.9 days	85.8 days	62.6 days	103.8 days	266.2 days	130.47 days
Debt Management Ratios						
13 Times Interest Earned	4.2 x	5.4 x	6.2 x	3.0 x	5.0 x	4.8 x
14 Debt/Assets Ratio	28.85%	33.40%	30.30%	23.69%	36.73%	30.59%
15 Long-term Debt/Equity	0.42	0.49	0.44	0.29	0.51	0.43
Market Perception Ratios						
16 Price/Earnings (trailing)	N/A	23.58	24.50	29.53	25.68	25.82
17 Market/Book	2.00	6.13	3.41	2.49	4.95	3.80
18 Price/Sales	1.41	4.99	2.25	4.91	4.79	3.67
duPont Analysis						
19 Return on Assets (ROA)	-2.34%	7.88%	5.02%	2.93%	6.14%	3.92%
20 Net Profit Margin	-4.48%	21.40%	9.22%	10.08%	18.97%	11.04%
21 Total Asset Turnover	.52 x	.37 x	.54 x	.29 x	.32 x	.41 x
22 Return on Begin Equity (ROE*)	-6.73%	26.31%	13.98%	5.10%	19.63%	11.66%
23 Equity Multiplier*	2.87	3.34	2.79	1.74	3.20	2.79
Other Information						
24 Price per Share @ FYE	\$18.01	\$111.05	\$43.85	\$93.92	\$127.39	\$78.84
25 Earnings Per Share	\$(2.80)	\$4.71	\$1.79	\$3.18	\$4.96	\$2.37
26 Dividend Payout Ratio		72.40%	37.43%	51.57%	79.64%	60.26%
27 Beta Coefficient	N/A	1.82	0.76	0.96	0.85	1.01
Growth Rates						
28 Sales	1.31%	-18.35%	-4.42%	-13.96%	-7.35%	-8.55%
29 Net Income	-166.29%	-20.65%	11.99%	-30.75%	-10.23%	-43.18%
30 Accounts Receivable	-16.38%	-8.15%	-3.14%	-15.41%	-28.25%	-14.26%
31 Inventory	-11.09%	-15.71%	-6.53%	-11.33%	-3.77%	-9.68%
32 Gross Fixed Assets	0.88%	-10.50%	-2.11%	-5.10%	-5.75%	-4.52%
Dividends	0.00%	2.10%	11.67%	10.81%	21.91%	9.30%
Sustainable Growth						
33 Net Profit Margin (P)	-4.48%	21.40%	9.22%	10.08%	18.97%	0.11
34 Retention Rate R	146.79%	27.60%	62.57%	48.43%	20.36%	61.15%
35 Total Asset Turnover (A)	0.52	0.37	0.54	0.29	0.32	0.41
36 Equity Multiplier* (T-hat)	2.87	3.34	2.79	1.74	3.20	2.79
Sustainable growth	-9.9%	7.3%	8.7%	2.5%	4.0%	0.03



Appendix L: Weighted Average Cost of Capital (WACC) for AB InBev

Weighted Average Cost of Capital	
Cost of Equity	Market Value of Equity
Risk Free Rate	0.6%
Beta	1.1
Market Risk Premium	8.7%
Total Cost of Equity (K_E)	10.2%
Cost of Debt	Total Debt
Pre-Tax Cost of Debt	3.02%
Effective Tax Rate	21%
Post-Tax Cost of Debt(K_d)	2.4%
$V = \text{Total Firm Value} = E + D$ 303,105	
$\text{WACC} = K_E \times (E/V) + K_d \times (D/V)$	
7.5%	



Appendix M: Total debt of AB InBev

Municipal Debt	Yield	Amt (MM)	Relative Weight	Weighted Yield
ONOPOL	3.78	2	0.00	0.00
Senior Unsecured Loans				
ABIBB TL B GUAR USD	3.84	10,000	0.10	0.37
ABIBB REV GUAR USD		0		
Senior Unsecured Bonds				
ABIBB 3.65 02/01/26	3.52	11,000	0.11	0.38
ABIBB 4.9 02/01/46	4.53	11,000	0.11	0.48
ABIBB 2.65 02/01/21	2.52	7,500	0.07	0.18
ABIBB 3.3 02/01/23	3.08	6,000	0.06	0.18
ABIBB 4.7 02/01/36	4.36	6,000	0.06	0.25
ABIBB 1.9 02/01/19	1.89	4,000	0.04	0.07
ABIBB 2 1/2 07/15/22	2.82	3,000	0.03	0.08
ABIBB 2 03/17/28	1.64	3,000	0.03	0.05
ABIBB 2 3/4 03/17/36	2.25	2,750	0.03	0.06
ABIBB 1 1/2 03/17/25	1.18	2,500	0.02	0.03
ABIBB 7 3/4 01/15/19	2.04	2,497	0.02	0.05
ABIBB 5 3/8 01/15/20	2.26	2,249	0.02	0.05
ABIBB 1 1/8 07/15/17	1.18	2,000	0.02	0.02
ABIBB 0 1/8 03/17/22	0.58	2,000	0.02	0.01
ABIBB 0 1/8 03/17/20	0.22	1,750	0.02	0.00
ABIBB 4.915 01/29/46	4.7	1,470	0.01	0.07
ABIBB 3.7 02/01/24	3.15	1,400	0.01	0.04
ABIBB 2 1/8 01/17/23	3.01	1,250	0.01	0.04
ABIBB 2.15 02/01/19	1.83	1,250	0.01	0.02
ABIBB 1 1/2 04/18/30	1.81	1,250	0.01	0.02
ABIBB Float 03/17/20	--	1,250	0.01	
ABIBB 8.2 01/15/39	4.59	1,249	0.01	0.06
ABIBB 1 1/8 01/27/17		1,200	0.01	0.00
ABIBB 3 3/4 07/15/42	4.39	1,000	0.01	0.04
ABIBB 1 1/4 01/17/18	1.54	1,000	0.01	0.01
ABIBB 2.7 03/31/26	1.29	1,000	0.01	0.01
ABIBB 0.8 04/20/23	0.76	1,000	0.01	0.01
ABIBB 6 3/8 11/15/19	2.11	998	0.01	0.02
ABIBB 5 04/15/20	2.35	996	0.01	0.02
ABIBB 4 5/8 02/01/44**	4.46	850	0.01	0.04
Total Market Value of Debt		103,185	Total Pre-Tax Cost of Debt	3.02%

*Bond listings taken from Bloomberg Terminal
**Outstanding bonds below this hidden to fit exhibit on one page, still factored into cost of debt



Appendix N: Raw data from beverage packaging survey

Q1 - Age		
Main	32.15	
Median	27	
Mode	20	

Q2 - Gender			
#	Answer	%	Count
1	Male	46.00%	92
2	Female	54.00%	108
	Total	100%	200

Q3 - In each of the following cases, how much does a beverage's packaging influence your purchasing decision?						
Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
If you have never tried the brand	0	5	2.94	1.35	1.82	200
If you have already tried the brand	0	5	1.58	1.32	1.73	200
Q13 - How strongly do you associate the values of a brand with its label?						
Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
Level of association	0	5	2.99	1.35	1.82	198



Appendix N (Continued)

Q8 - What words do you associate with the picture above? Please select all that apply.

#	Answer	%	Count
1	Adventure	15.00%	30
2	Rustic	70.00%	140
3	Fun	5.00%	10
4	Travel	15.00%	30
5	Relaxed	44.00%	88
6	Peaceful	55.50%	111
7	Virginia	15.50%	31
8	Traditional	38.00%	76
9	Other	22.00%	44
Total		100%	200

Q11 - What words do you associate with the picture above? Please select all that apply.

#	Answer	%	Count
1	Adventure	72.50%	145
2	Rustic	17.00%	34
3	Fun	22.50%	45
4	Travel	54.50%	109
5	Relaxed	31.50%	63
6	Peaceful	50.00%	100
7	Virginia	12.00%	24
8	Traditional	6.50%	13
9	Other	13.50%	27
Total		100%	200

Q8



Q9





ⁱ “Our Beer,” <http://dbbrewingcompany.com>, 2015,

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^{xiii} “Skiing,” PoconosMountains.com, 2016, [<http://www.poconomountains.com/things-to-do/ski-snow-activities/skiing/>], accessed November 2016.

^{xiv} Craig Weiner, Charlottesville, Virginia, November 8, 2016.

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^{xvi} Craig Weiner, Charlottesville, Virginia, November 8, 2016.

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“On my honor as students, we pledge that we have neither given nor received aid on this report.”

November 22nd, 2016

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