



PRESS RELEASE: Vetiva expects premiumization to drive beer growth in Sub-Saharan Africa

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In her coverage initiation report for the South African listed entity, Chinma Ukadike, the SSA FMCG Analyst at Vetiva Capital Management Limited, shares her expectations for Anheuser Busch InBev and the global beer industry.

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In the report, Chinma mentions that "At \$54.3 billion, AB InBev's Revenue has grown at a CAGR of 4% over the last 7 years. Driving this growth is the company's superior volumes across global markets. Being the world's largest brewer, the company has maintained market leadership in major markets, taking advantage of an increasing drinking population to expand sales volumes."

Speaking on the North American market, with specific focus on Canada and the U.S., she believes that while beer sales lean more towards the value and core segments, changing consumer tastes are more favourable to the Spirits segments, with traditional beer gradually losing market share in consumers' minds. She, however, believes that income growth expectations in the region would support beer volume and value, nonetheless.

Stating that the European and African markets are being driven by growth in key markets like Germany, the UK and Nigeria, she says that across the African markets, consumption remains low, and provides room for growth especially in the beer segment, which is more affordable than other alcoholic drinks. Also highlighting the South African market, her outlook for the industry is hinged on population growth, income levels in the country and possible age-related alcohol regulations. Thus, she claims that the current drinking population could shrink by the portion of the Gen Z drinking population that is currently between the ages of 19 and 20.

While she believes that the focus across the Asia Pacific region has been mixed, with value and core brands being the dominating segments, she emphasized that the region has not been immune to the premiumization sweep happening globally. For South Korea, although beer consumption is tilted to the value segment, the transition from value-based tax on beer to volume-based tax may somewhat level the pricing difference between these two segments and would consequently push the current premiumization wave further and adds



that the rise in middle income households also bodes well for consumption and supports more expensive consumer tastes.

The beer industry in Middle America is expected to be driven by the growth in volumes as well as growing premiumization across the board, which would place the region in a top spot in value terms.

Speaking specifically to Brazil and Argentina in the South American region, she believes that in Brazil, with decade-high (and rising) inflation rates in the country, consumer wallets have remained under pressure and are expected to maintain this trend in the coming months. Accordingly, she expects this to affect core volumes as consumers may increasingly down-trade to the value segment.

She believes that the company is well placed to capture growth from the markets, given its current strategy of focusing on a “beyond-beer” strategy and a technology-driven ecosystem. Among other fundamental reasonings, she values the stock at a target price of ZAR1,119.12/share, with a HOLD recommendation.

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