Financial Statement Analysis applied to credit portfolio management

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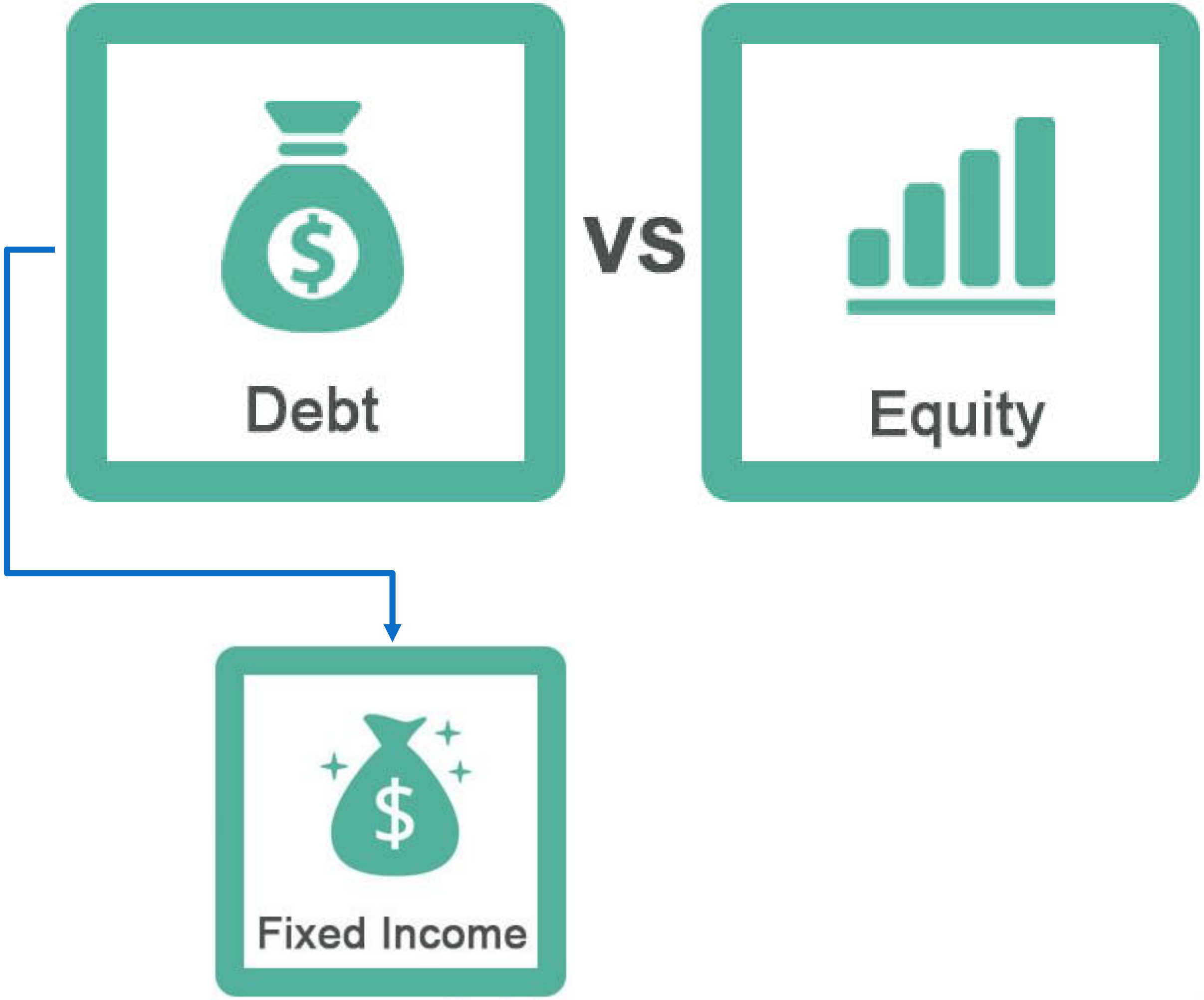
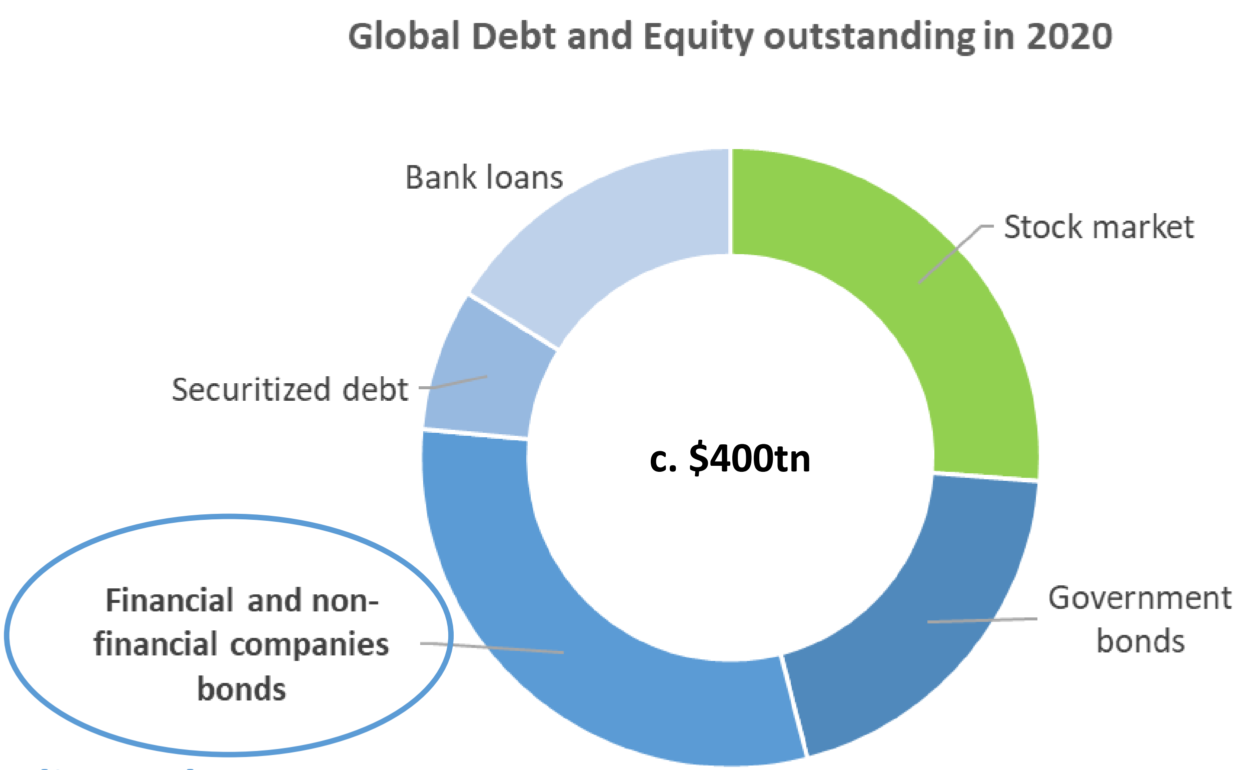
Agenda

- Debt vs Equity financing
- What is credit portfolio management?
- Introduction to ABI
- Financial Statement Analysis
- Credit Profile
- Real case examples
- Q&A

Debt vs Equity financing



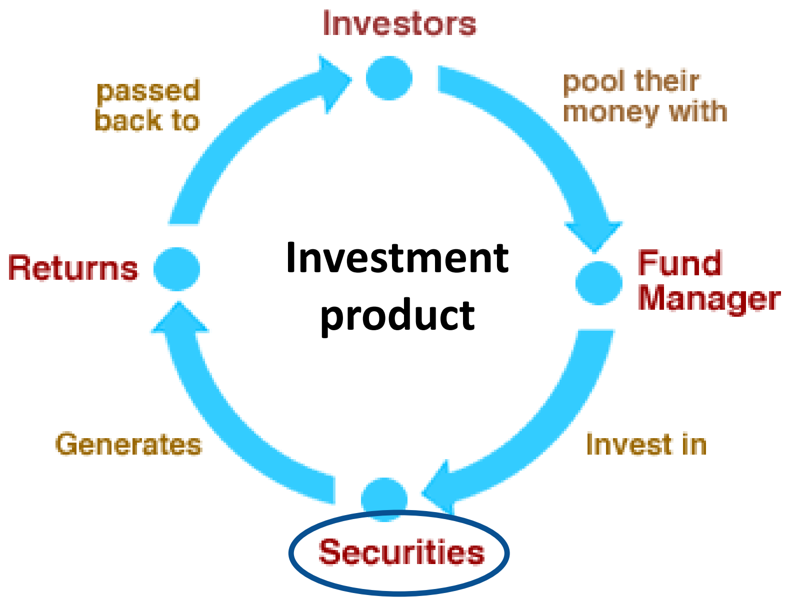
What is the credit market?



Credit market

Sources: Institute of International Finance; SIFMA.

What is a credit fund?



Securities = credits:

- Different currencies ($ / € / £)
- Different maturities
- Different risk, identified by the credit rating:
  - Investment Grade (IG)
  - High Yield (HY)
  - Distressed

	Investment Grade										High Yield						Distressed				
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C
S&P / Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C

Credit PM daily workflow

Daily newsflow

Review portfolio positioning

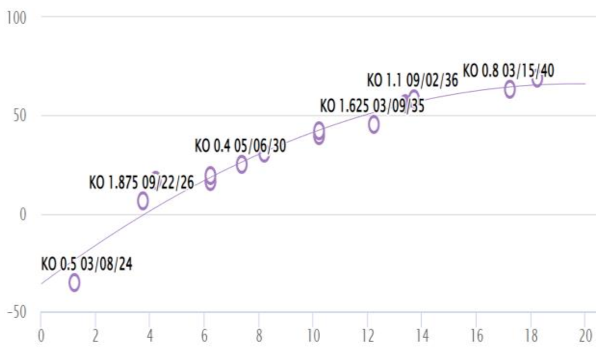
Bloomberg Industry Sectors	Horizon MV	Stressed MV	Horizon RoR	Stressed RoR	Horizon Eff Duration	Stressed Eff Duration
Positions Grand Total	3,575,884,209.510	3,385,155,301.870	2.458	(2.689)	6.212	5.252
IG_Corp Bond Fund A	1,191,883,119.360	1,128,312,228.760	2.458	(2.689)	6.212	5.252
Basic Materials	68,754,078.110	67,764,821.230	0.867	(0.482)	2.318	1.449
Consumer, Cyclical	30,076,067.610	29,584,418.770	2.354	0.743	2.547	1.647
Consumer, Non-cyclical	30,963,269.270	28,688,006.640	10.956	3.360	8.596	7.282
Energy	27,498,450.750	27,179,243.080	13.054	11.860	1.958	1.165
Financial	196,434,145.350	181,574,309.130	4.515	(3.030)	8.536	7.583
Government	769,250,391.330	727,426,421.350	1.184	(4.021)	6.326	5.349
Industrial	42,836,214.480	40,342,570.150	6.167	0.352	6.790	5.914

Fundamental analysis

D3 =B3/$B$13

	A	B	C	D	E	F	G
1	**Assets**	**begin of year**	**end of year**	**begin of year**	**end of year**		
2	**Fixed assets**						
3	Intangible assets	377	1221	8%	19%		
4	Fixed assets	457	594	10%	9%		
5	Other noncurrent assets	800	562	17%	9%		
6	**Total Section**	**1634**	**2377**	34%	38%		
7	**Current assets**						
8	Inventory	1297	1394	27%	22%		
9	Receivables	489	552	10%	9%		
10	Cash and cash equivalent	601	1317	13%	21%		
11	Other current assets	778	693	16%	11%		
12	**Total Section**	**3165**	**3956**	66%	62%		
13	**BALANCE**	**4799**	**6333**				
14	**LIABILITY**						
15	**Capital and reserves**						
16	Charter Captal	1000	100	32%	3%	<-- =C16/$C$28	
17	retained earnings	606	1412	19%	44%		
18	**Total Section**	**1606**	**1512**	51%	48%		
19	**Long term duties**						
20	Borrowed funds	500	360	16%	11%		
21	Other liabilities	1020	1309	33%	41%		
22	**Total Section**	**1520**	**1669**	49%	52%		
23	**Short-term liabilities**						
24	Borrowed funds	311	828	10%	26%		
25	Accounts payable	653	800	21%	25%		
26	Other liabilities	709	624	23%	20%		
27	**Total Section**	**1673**	**2252**	54%	71%		

Attractive investments

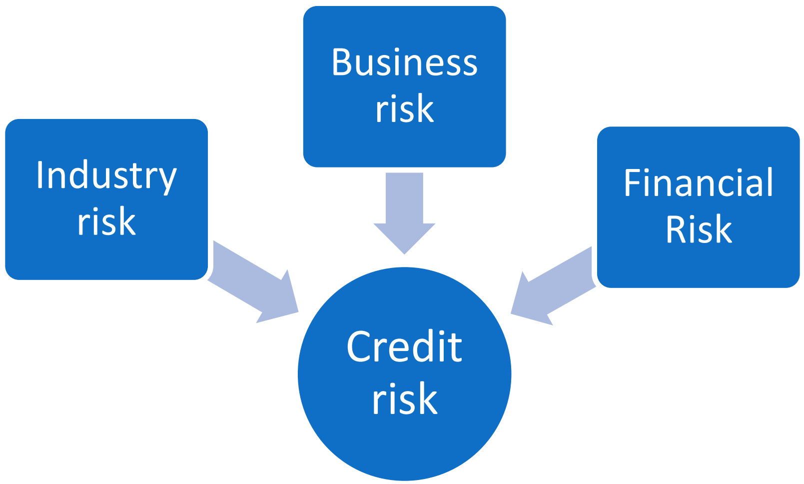


Trading

“Special” occasions: credit roadshows, earnings calls, reviews with clients, pitches to new clients

Sources: Bloomberg, Financial Times

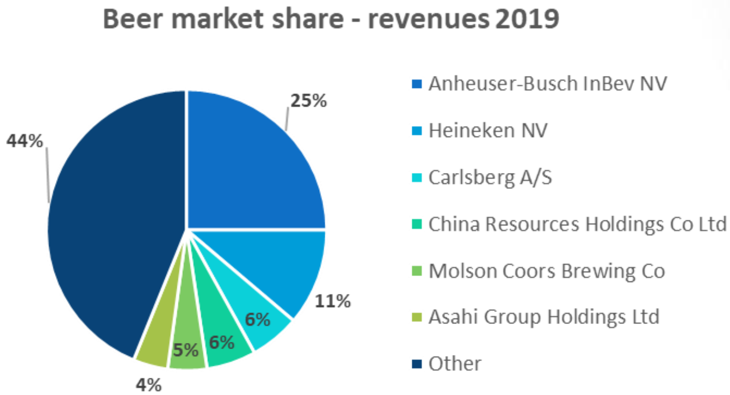
Credit risk analysis in pills



- Company profile
- Size: revenues and/or total assets
- Geographical Diversification
- Segment Diversification

- Profitability
- Leverage metrics
- Financial policy
- ESG factors

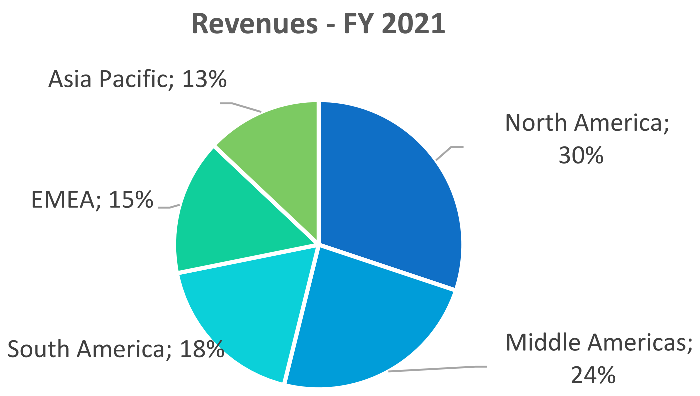
Anheuser-Busch InBev (ABI)

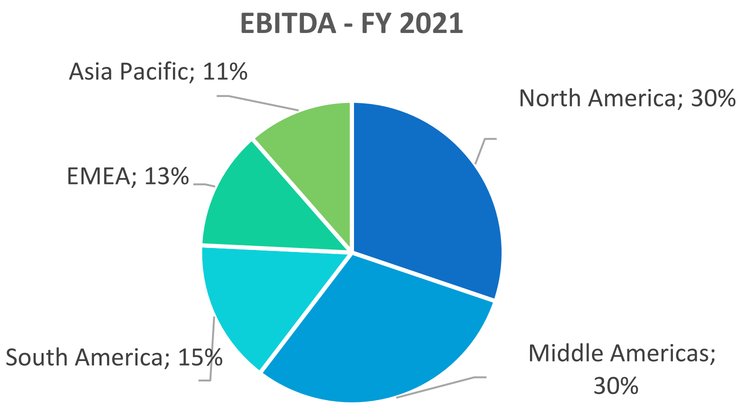


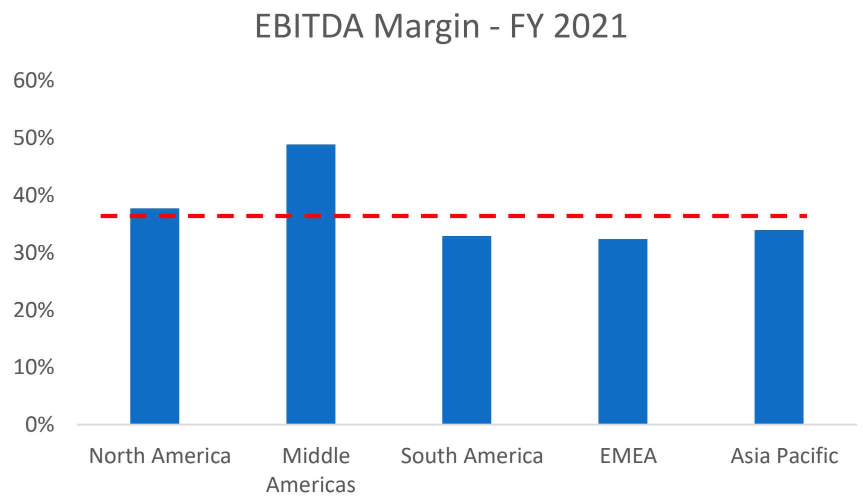
- Largest brewer worldwide
- 25% market share
- Inorganic growth (M&A)
- Worldwide presence with local distribution network
- Single segment: Beer
- Global premium brands

Sources: Bloomberg, AB InBev

Geographical diversification







Sources: Bloomberg, AB InBev

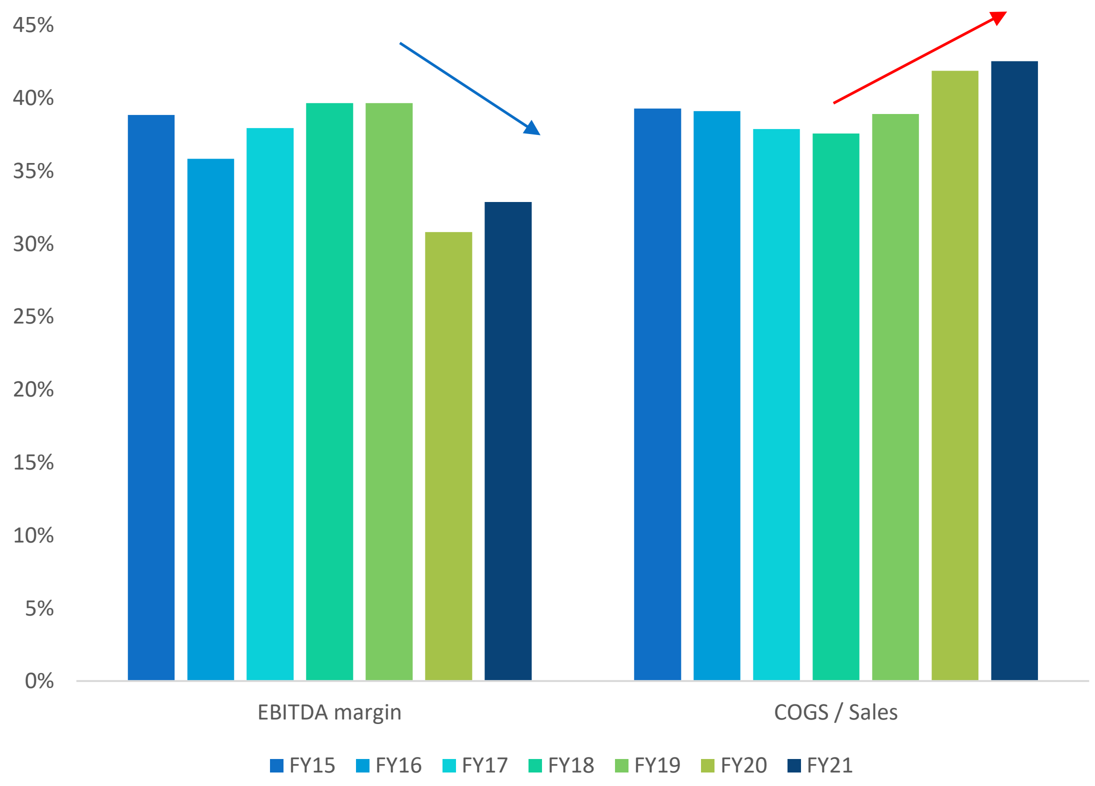
ABI Income Statement (IS)

+24% -6% -1% -10% +16%

In Millions of USD	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Net sales	43,604	45,517	56,444	53,041	52,329	46,881	54,304
Cost of sales	17,137	17,803	21,386	19,933	20,362	19,634	23,097
Gross profit	**26,467**	**27,714**	**35,058**	**33,108**	**31,967**	**27,247**	**31,207**
SG&A expenses	12,804	14,016	16,690	15,520	15,069	13,962	16,254
Other (income) expense	-241	816	1,216	1,174	800	3,665	1,129
Operating profit, EBIT	**13,904**	**12,882**	**17,152**	**16,414**	**16,098**	**9,620**	**13,824**
Interest expense, net	1,443	8,548	6,077	8,673	3,322	7,541	5,361
Income before income taxes	12,461	4,334	11,075	7,741	12,776	2,079	8,463
Provisions for income taxes	2,594	1,613	1,920	2,584	2,786	1,932	2,349
Net Income incl. minority interests from Cont operations	9,867	2,721	9,155	5,157	9,990	147	6,114
Net Extraordinary losses (gain)	0	-48	-28	-531	-424	-2,055	0
Net Income incl. minority interests	9,867	2,769	9,183	5,688	10,414	2,202	6,114
Less: Net income attributable to noncontrolling int.	1,594	1,528	1,187	1,318	1,243	797	1,444
Net income attributable to AB InBev	**8,273**	**1,241**	**7,996**	**4,370**	**9,171**	**1,405**	**4,670**
Operating profit (EBIT)	**13,904**	**12,882**	**17,152**	**16,414**	**16,098**	**9,620**	**13,824**
Depreciation & Amortization	3,035	3,435	4,276	4,624	4,657	4,829	4,028
EBITDA	**16,939**	**16,317**	**21,428**	**21,038**	**20,755**	**14,449**	**17,852**

Sources: Bloomberg, AB InBev

IS - vertical analysis



Sources: Bloomberg, AB InBev

ABI Balance Sheet

In Millions of USD	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Cash & Cash equivalents	6,923	8,579	10,472	7,074	7,238	8,451	11,047
ST Investments	55	5,659	1,304	87	92	7,196	1,424
Accounts Receivable	3,262	4,572	4,758	4,431	4,067	3,288	3,483
Inventories	2,862	3,913	4,119	4,234	4,427	4,483	5,399
Other current assets	5,192	20,338	3,307	2,456	12,990	3,101	2,596
Total Current Assets	**18,294**	**43,061**	**23,960**	**18,282**	**28,814**	**26,519**	**23,949**
PP&E, net	18,952	27,522	27,184	27,615	27,544	26,419	26,678
Goodwill	65,061	136,533	140,940	133,311	128,114	120,971	115,797
Other Intangible assets	29,677	44,568	45,874	44,831	42,452	41,527	40,430
Deferred Income Taxes	1,181	1,261	1,216	1,517	1,719	2,019	1,971
Other assets	1,470	5,436	6,952	8,312	8,005	8,955	8,802
Total Non-Current Assets	**116,341**	**215,320**	**222,166**	**215,586**	**207,834**	**199,891**	**193,678**
Total Assets	**134,635**	**258,381**	**246,126**	**233,868**	**236,648**	**226,410**	**217,627**

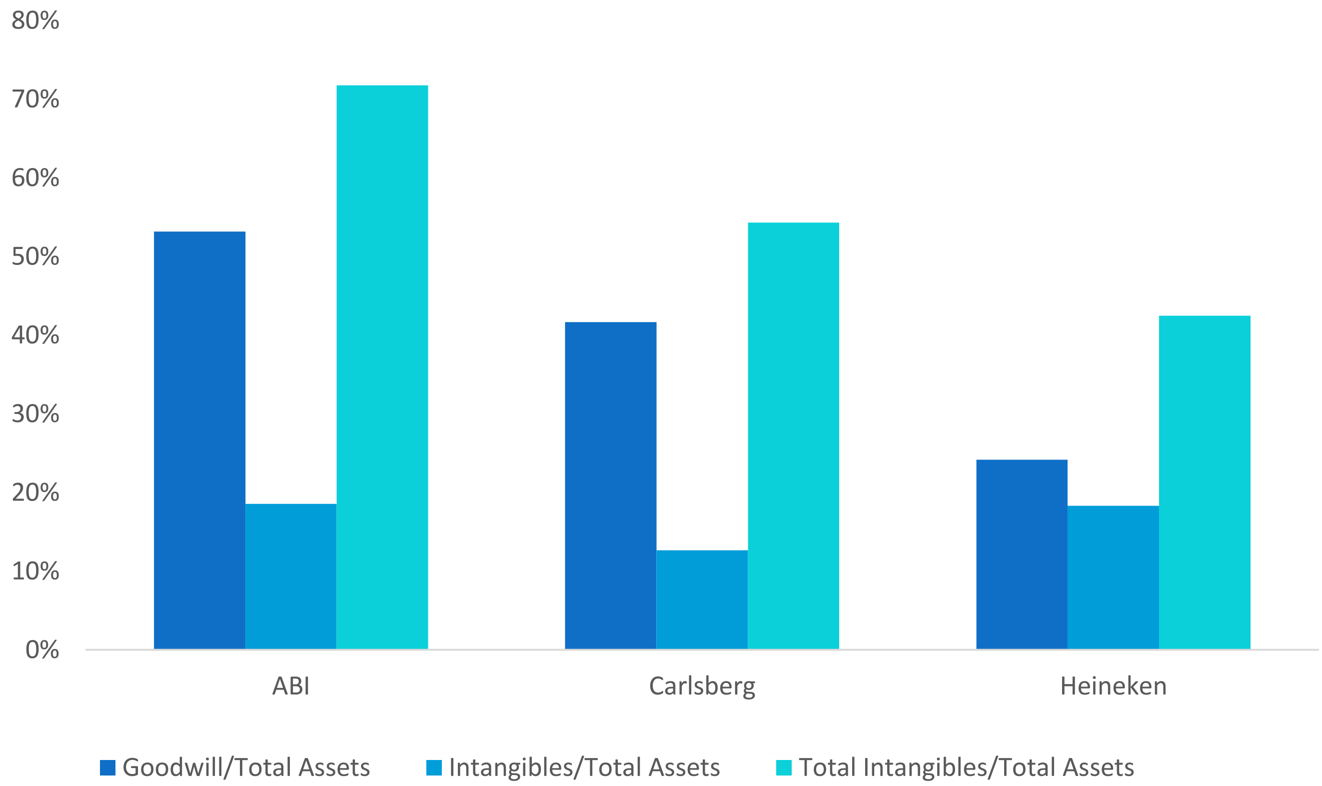
Sources: Bloomberg, AB InBev

ABI Balance Sheet

	$49bn	$122Bn				$98Bn	$89Bn
In Millions of USD	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Notes and loans payables	2,104	2,263	2,014	1,666	2,000	1,924	500
Current portion of long-term debt	3,821	6,539	5,536	3,031	3,478	1,162	961
Accounts payable	11,616	14,071	15,240	15,512	15,876	15,898	17,810
Accrued income taxes	2,279	6,672	4,420	3,853	4,054	3,665	3,791
other accruals	8,636	10,571	9,001	10,764	9,433	9,703	11,121
Total current liabilities	**28,456**	**40,116**	**36,211**	**34,826**	**34,841**	**32,352**	**34,183**
Long-term debt	43,541	113,941	108,949	106,997	97,564	95,478	87,369
Deferred income taxes	11,961	16,678	13,107	13,165	12,824	12,627	12,203
Other liabilities	4,958	6,221	7,639	6,991	6,866	7,602	4,532
Total liabilities	**88,916**	**176,956**	**165,906**	**161,979**	**152,095**	**148,059**	**138,287**
Common Stock	1,736	1,736	1,736	1,736	1,736	1,736	1,736
Additional piad-in capital	17,620	17,620	17,620	17,620	17,620	17,620	17,620
Retained earnings	35,949	28,214	28,394	26,068	31,484	30,870	33,882
Other	-13,168	23,769	24,835	19,061	24,882	17,798	15,431
Minority interests	3,582	10,086	7,635	7,404	8,831	10,327	10,671
Total Equity	**45,719**	**81,425**	**80,220**	**71,889**	**84,553**	**78,351**	**79,340**
Total L & E	**134,635**	**258,381**	**246,126**	**233,868**	**236,648**	**226,410**	**217,627**

Sources: Bloomberg, AB InBev

BS - Vertical analysis vs peers



What does this graph tell you about ABI growth strategy vs its major competitors?

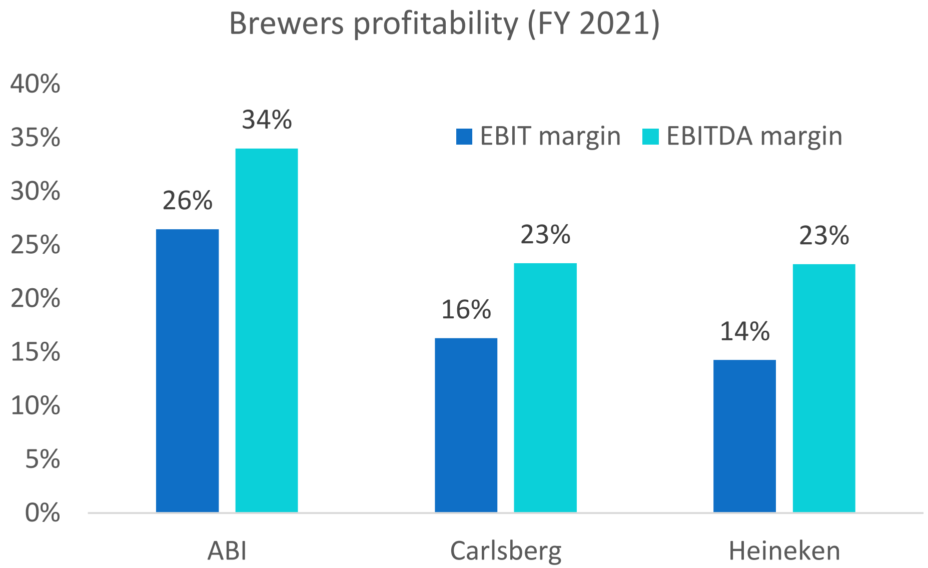
ABI Cash flow statement

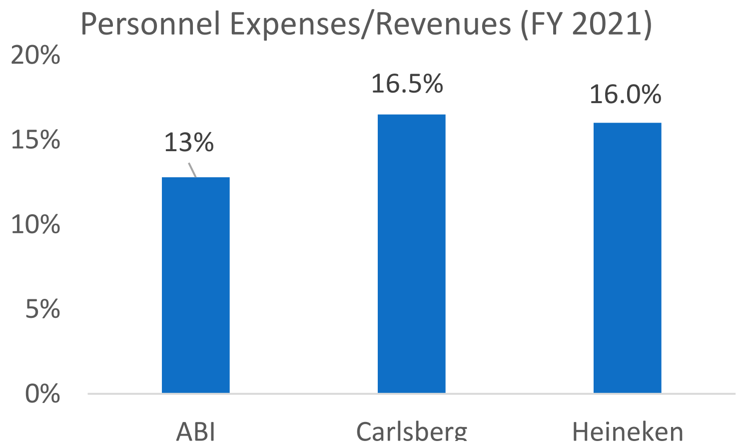
In Millions of USD	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Net Income	8,273	1,241	7,996	4,370	9,171	1,405	4,670
D&A	3,035	3,435	4,276	4,624	4,657	4,829	4,028
Other non-cash items	1,027	5,261	2,939	4,710	-427	3,981	3,641
(Inc) Dec in AR	-138	-714	67	-105	-258	516	164
(Inc) Dec in inventories	-424	-364	-213	-588	-426	-427	-1,232
Inc (Dec) in AP	2,348	1,251	365	1,170	679	503	3,527
Operating Cash Flow (OCF)	**14,121**	**10,110**	**15,430**	**14,181**	**13,138**	**11,323**	**14,962**
Net Capital Expenditure	-4,135	-4,649	-4,388	-4,740	-4,821	-3,979	-5,433
LT investments and M&A	-1,045	-55,209	15,478	1,139	-252	10,328	-444
Other investing activities	-46	-229	-3,442	-256	142	-13	0
Cash Flow from Investments (CFI)	**-5,226**	**-60,087**	**7,648**	**-3,857**	**-4,931**	**6,336**	**-5,877**
Dividends Paid	-6,666	-7,250	-8,175	-7,761	-5,015	-1,800	-2,364
Cash From (Repayment) Debt	457	62,675	-9,981	-5,130	-8,449	-8,755	-9,042
Cash (Repurchase) of Equity	-995	0	0	0	5,575	5,575	5,575
Other Financing Activities	-1,781	-4,684	-2,642	-1,436	-623	-623	-623
Net Cash From Disc Ops	0	0	0	755	-24	-6	0
Cash Flow from Financing (CFF)	**-8,985**	**50,741**	**-20,798**	**-13,572**	**-8,536**	**-5,609**	**-6,454**
Effect of Foreign Exchange Rates	-1,316	721	-319	-148	-141	-674	-526
Free Cash Flow (FCF)	**9,986**	**5,461**	**11,042**	**9,441**	**8,317**	**7,344**	**9,529**
Net change in cash	-1,406	1,485	1,961	-3,396	-470	11,376	2,105

FCF = OCF - CAPEX

Sources: Bloomberg, AB InBev

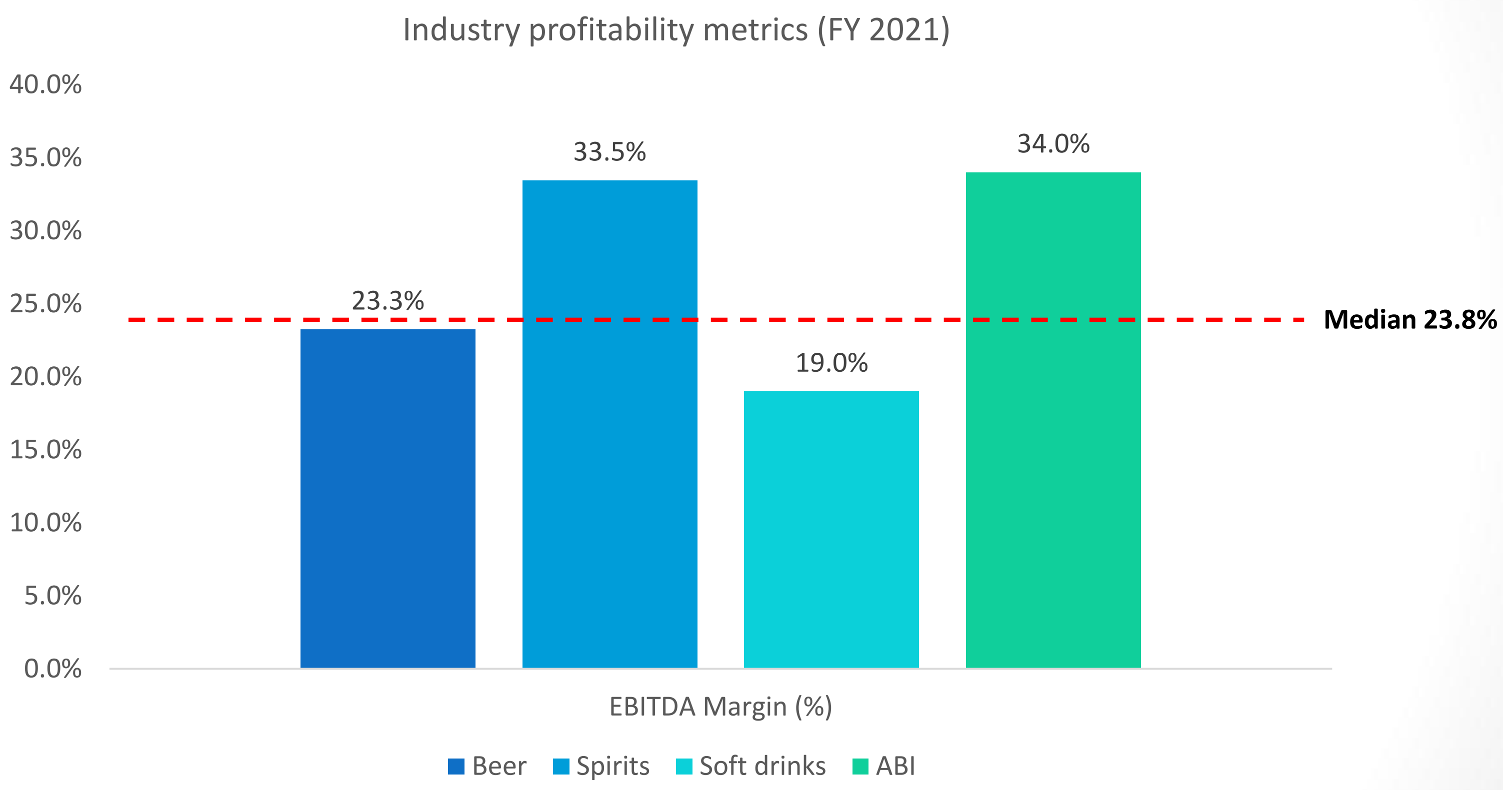
Profitability metrics vs brewers





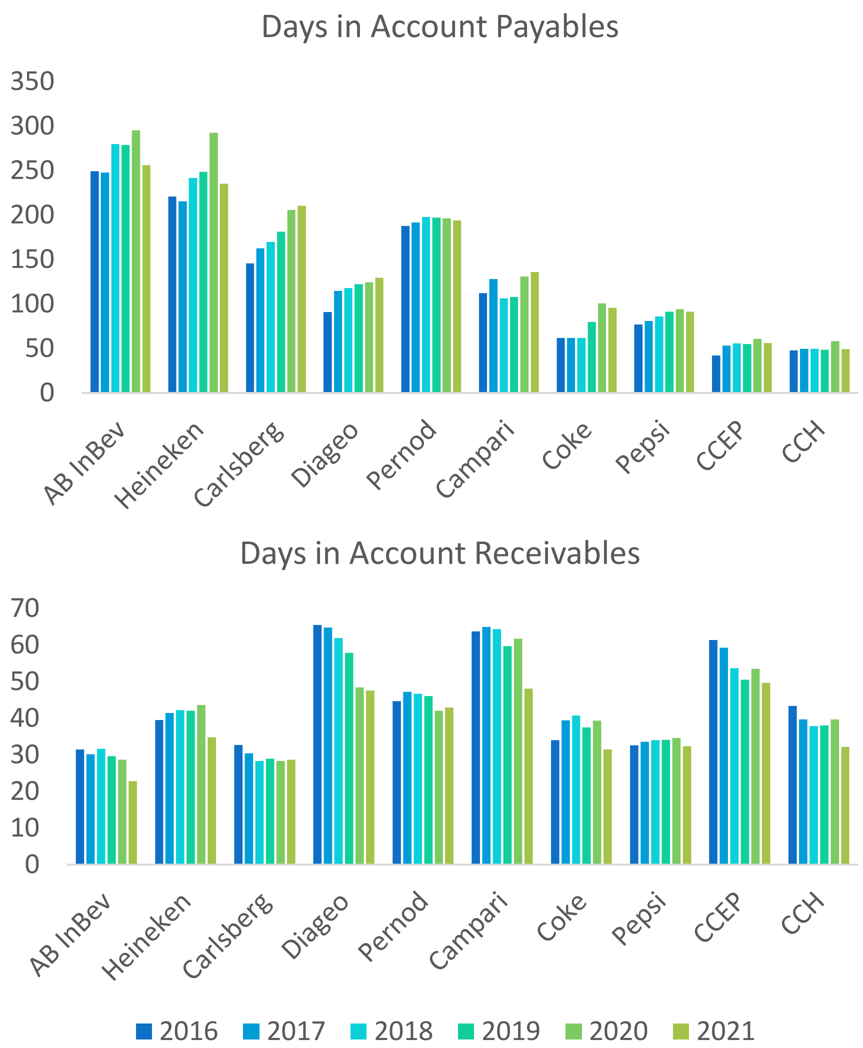
Sources: Bloomberg, AB InBev

Profitability - Beverage industry



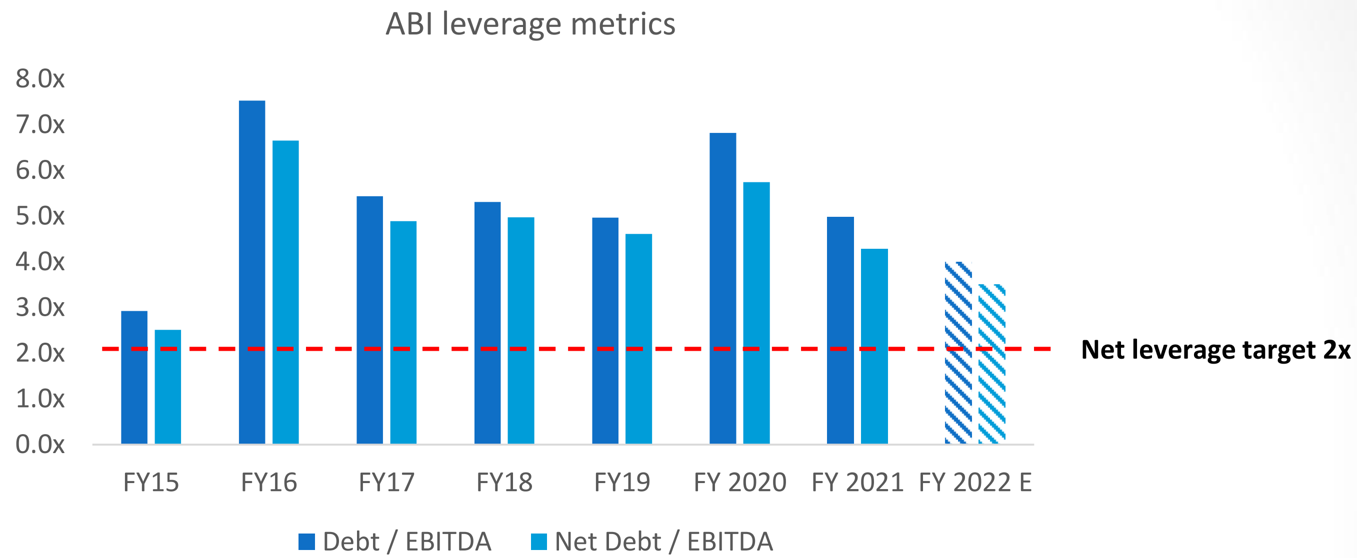
Source: Bloomberg Intelligence

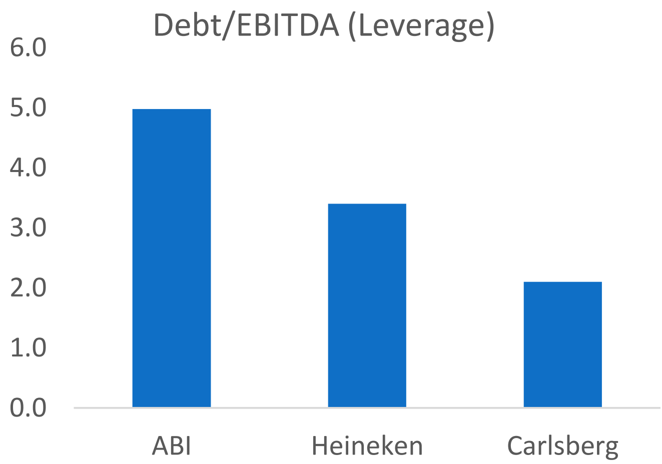
Working capital metrics

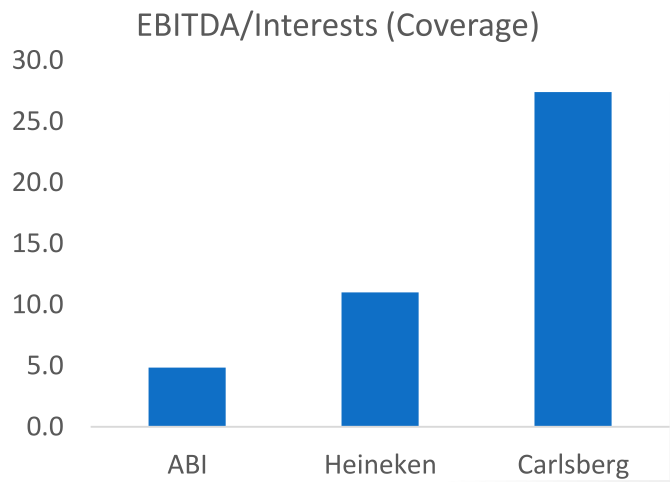


Source: Bloomberg

Credit metrics

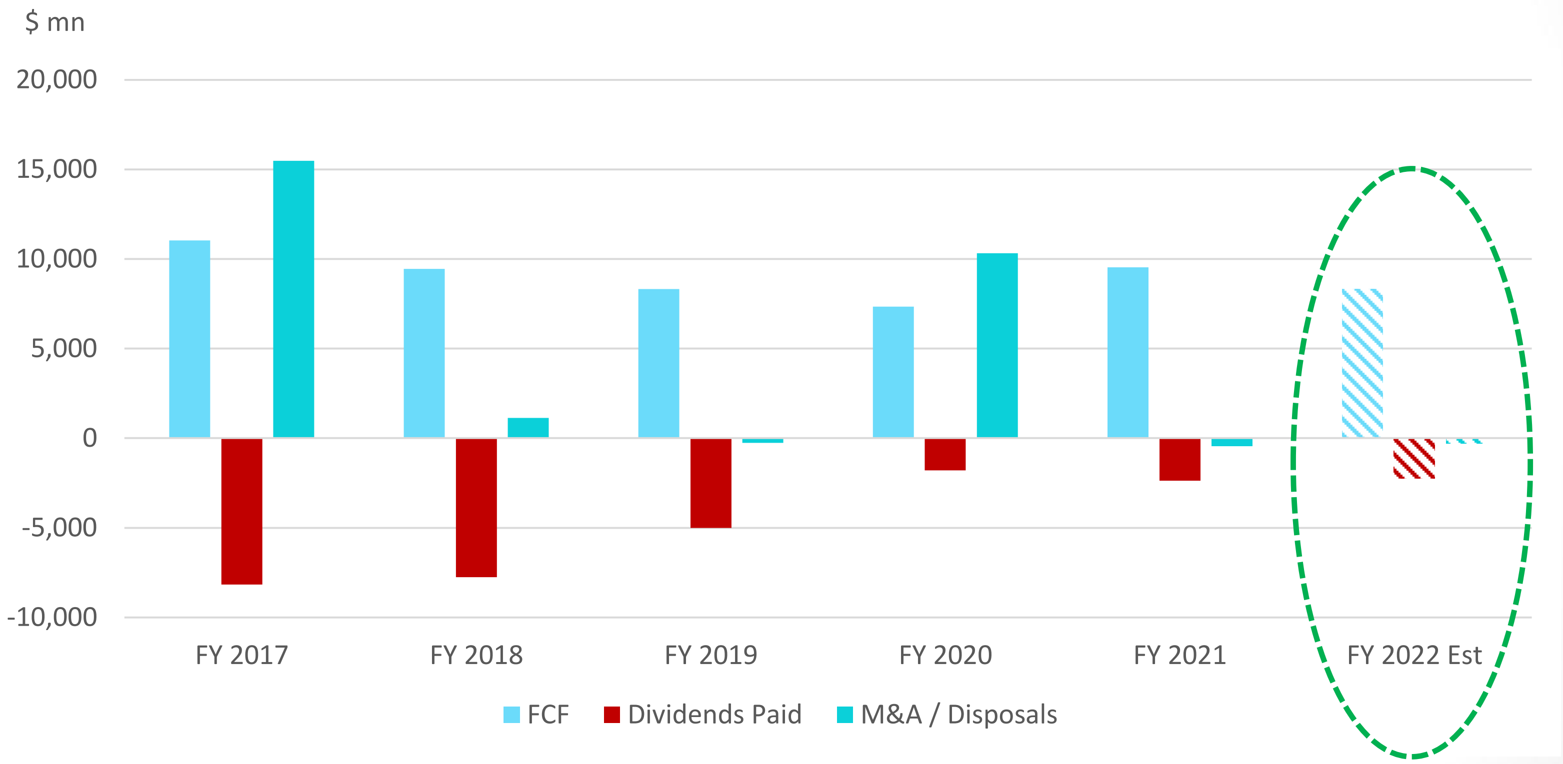






Source: Bloomberg

Financial Policy - ABI

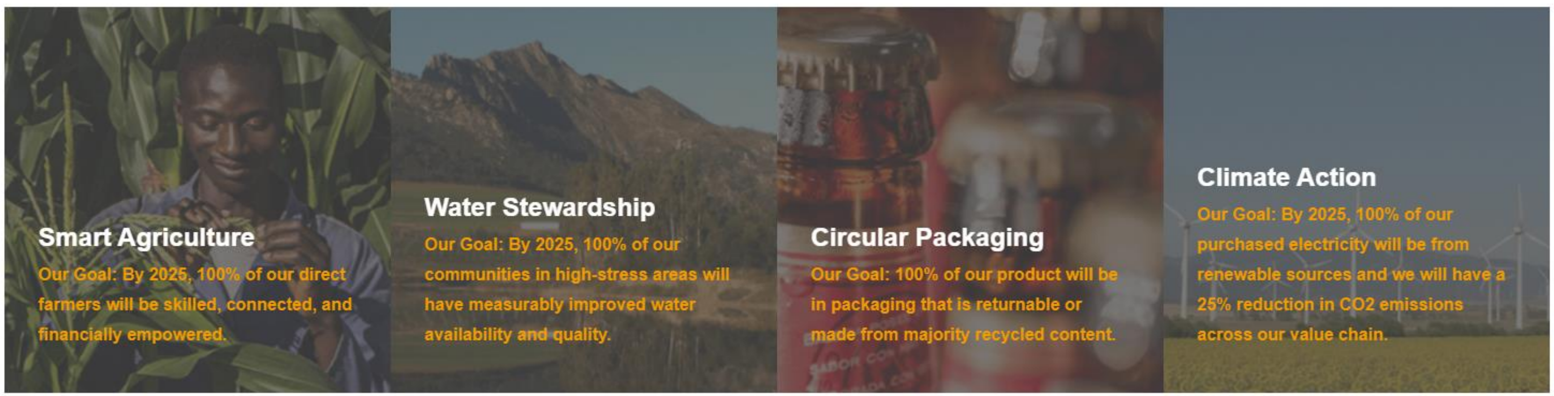


Sources: Bloomberg

ESG Factors

Our 2025 Sustainability Goals

Our most ambitious goals yet.



Source: AB InBev

ABI credit profile

Company Profile	++
Size (Revenues)	++
Geographical diversification	+
Segment diversification	-
Profitability	++
Leverage	-
Financial Policy	++
ESG Factors	++

Moody's: Baa1 (Positive)

S&P: BBB+ (Positive)

	Investment Grade										High Yield						Distressed				
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C
S&P / Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C

Real Case 1: September 2015

9)	SABMILLER PLC - Response to press speculation	SEN	09/2015
10)	AB InBev Intends to Make Offer to Acquire SABMiller	BN	09/2015
11)	✓ *SABMILLER SAYS AB INBEV PLANS TO MAKE PURCHASE PROPOSAL	BN	09/2015
12)	✓ *SABMILLER SHARES RISE AS MUCH AS 9.4% IN LONDON TRADING	BFW	09/2015
13)	SABMiller Was Responding To Press Speculation	DJ	09/2015
14)	SABMiller Says AB Inbev Intends to Make Proposal; Shrs Up 9.5%	BFW	09/2015
15)	*SABMILLER SHARES RISE AS MUCH AS 9.4% IN LONDON TRADING	BN	09/2015
16)	SABMiller Shares Trading 9.5% Higher At 3,300P	DJ	09/2015

AB InBev Intends to Make Offer to Acquire SABMiller

By Paul Jarvis

(Bloomberg) -- SABMiller Plc said Anheuser-Busch InBev NV intends to make an offer in a deal that would bring together the world's two biggest beermakers.

"No proposal has yet been received and the board of SABMiller has no further details about the terms of any such proposal," London-based SABMiller said in a statement Wednesday.

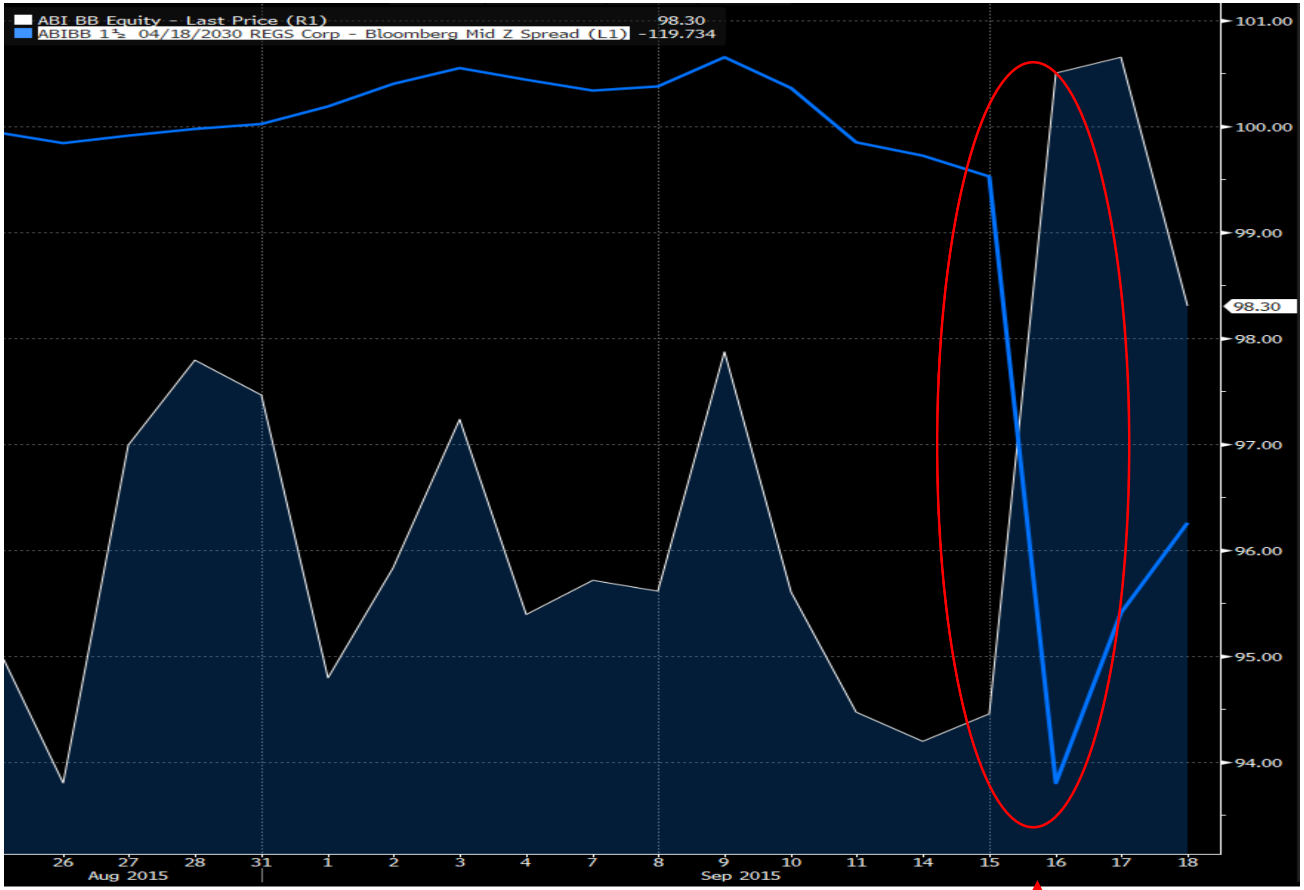
1. Is the news credit-positive or credit-negative?
2. What is going to be the impact to ABI's business profile?
3. What is going to be the impact to ABI's financial leverage?

4. How are we positioned in ABI?
5. Do we need to sell, buy or hold on to our position? Why?

Real Case 1: credit trajectory

	FY 2014	FY 2015 E	FY 2016 E	FY 2017 E
Operating Cash Flow (OCF)	**14,144**	**14,000**	**10,000**	**16,500**
Net Capital Expenditure	-4,135	-4,000	-4,500	-5,500
Free Cash Flow (FCF)	**9,986**	**10,000**	**5,500**	**11,000**
LT investments and M&A	-1,045	-1,000	**-70,000**	0
Dividends Paid	-6,666	-7,000	-7,500	-8,000
Net Cash		2,000	-72,000	3,000
Total Debt	51,000	49,000	**121,000**	118,000
EBITDA	18,500	17,000	**21,000**	22,000
Debt / EBITDA	**2.8x**	**2.9x**	**5.8x**	**5.4x**

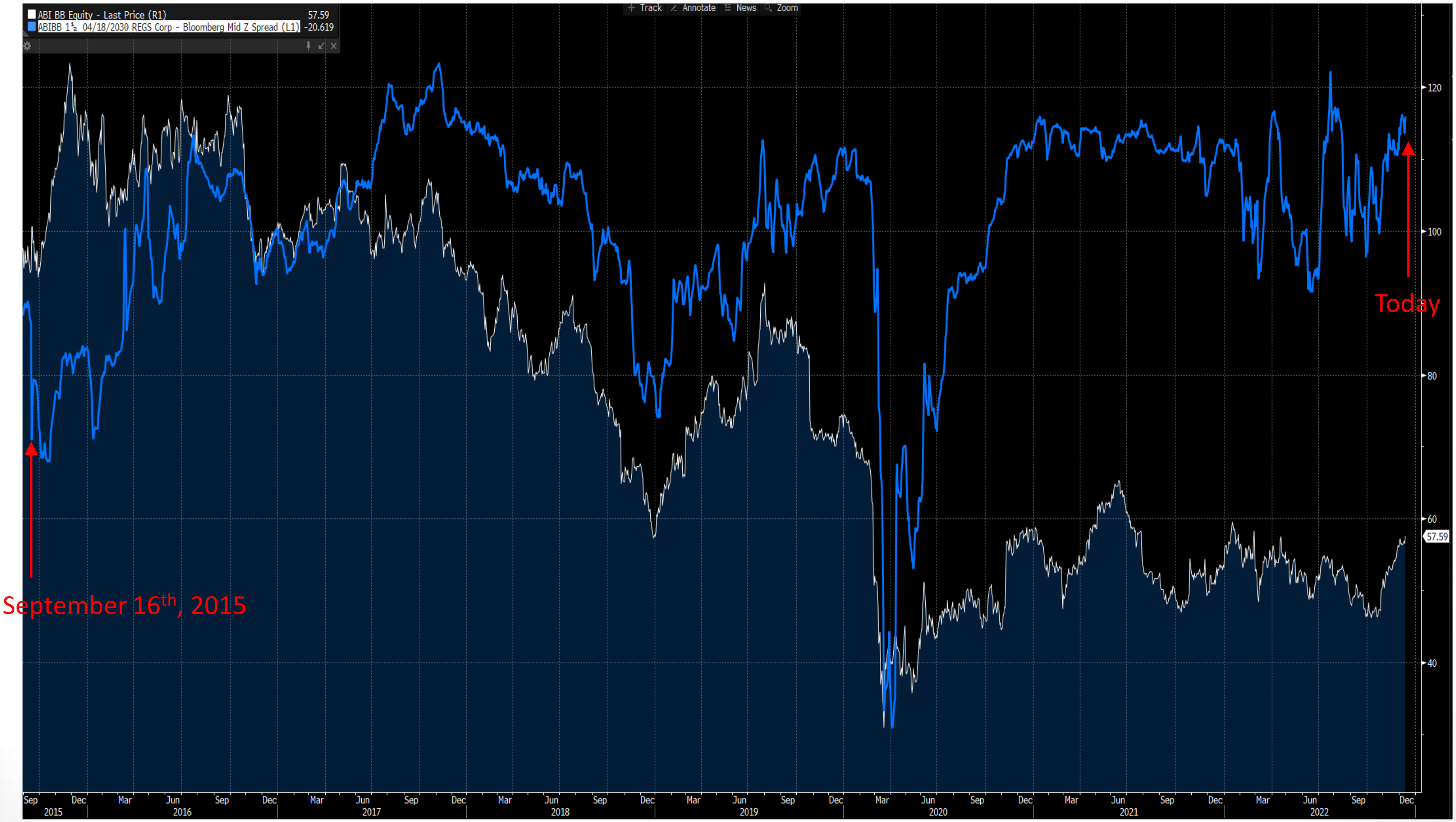
Immediate market reaction . . .



Would you buy, sell or hold on to ABI bonds?

September 16th, 2015

. . . since then!


ABI BB Equity - Last Price (R1) 57.59
ABIBB 1½ 04/18/2030 REGS Corp - Bloomberg Mid Z Spread (L1) -20.619
Track
Annotate
News
Zoom
120
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80
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57.59
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Sep 2015
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Jun 2019
Sep
Dec
Mar
Jun 2020
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Dec
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Jun 2021
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Dec
Mar
Jun 2022
Sep
Dec
September 16th, 2015
Today

Real Case 2: July 2019

7)	*AB INBEV STILL LOOKING AT BUDWEISER APAC STAKE IPO EX AUSTRALIA	BN	07/2019
8)	*Anheuser-Busch InBev: Continues to Weigh Potential IPO of Budweiser APAC	DJ	07/2019
9)	*Anheuser-Busch InBev Agrees to Sell Its Australian Subsidiary to Asahi Group ...	DJ	07/2019
10)	*AB INBEV TO SELL CARLTON & UNITED TO ASAHI FOR ABOUT $11.3B	BN	07/2019
11)	*AB INBEV TO SELL CARLTON & UNITED TO ASAHI FOR ABOUT $11.3B	BN	07/2019

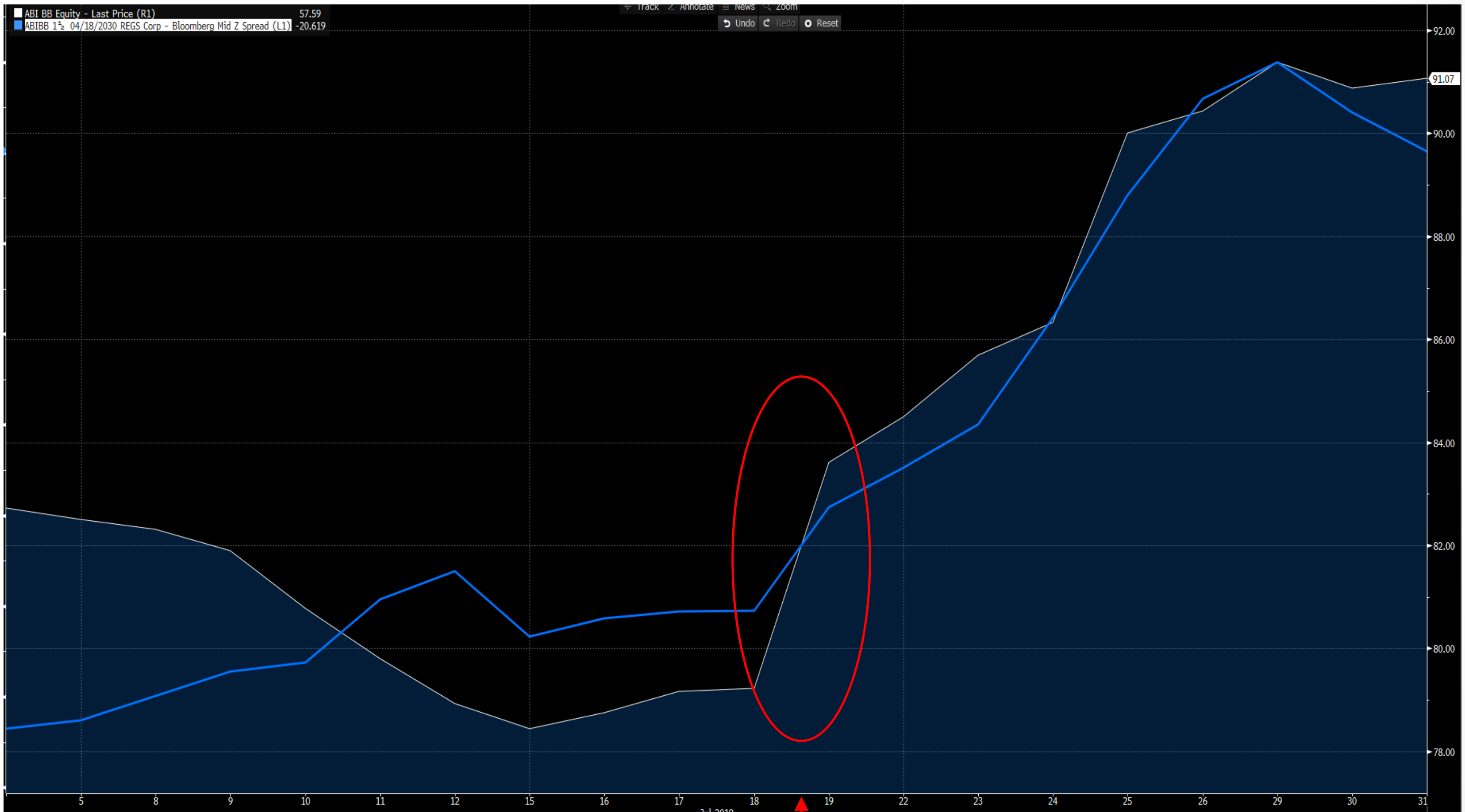
AB InBev to sell Australian unit to Asahi in $11bn deal

World's biggest brewer seeks to raise cash a week after pulling Asia division flotation

The sale of Carlton & United Breweries will allow AB InBev to chip away at its $106bn debt mountain © EPA

Leila Abboud and **Arash Massoudi** in London and **Kana Inagaki** in Tokyo JULY 19 2019 7

Market reaction



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Thank you for your attention!

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Q&A