Anheuser-Busch InBev

Board Report

Presented to the AB InBev Board of Directors

By Team UMCC

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The CFO 2018 Case Study Competition

Executive Summary

Terms of reference Anheuser-Busch InBev (AB InBev) is a publicly listed global leading brewing company based in Brussels, Belgium. Team UMCC will identify, prioritize and evaluate the various urgent issues AB InBev is facing in terms of the merger with SABMiller and provide the company with a recommended course of action.

Prioritization Team UMCC has evaluated and prioritized the issues AB InBev is facing regarding urgency, financial impact and ethical importance. The order of priority is listed below.

Key recommendations After carefully analyzing the internal and external situation of AB InBev (see Figure 1), Team UMCC recommends the following actions to successfully tackle the company's weaknesses and threats. For these recommendations, Team UMCC considered factors including financial stability, shareholder's returns and an integrated corporate social responsibility.

1. Fund the merger by emitting bonds and taking out a bank loan and simultaneously meet the shareholder's expectation by raising equity through the issuance of new shares.
2. Close down brands or operations in stagnating markets to settle any legal issues with international antitrust agencies before the merger.
3. Set up an online shop as well as a corresponding app where B2B-customers can place their order and receive discounts for favored behavior.
4. Resolve the environmental hazard in China by publishing a press release and starting the "AB InBev – Giving Back to Nature"-campaign. Furthermore, use this situation to introduce AB InBev's global three pillar Corporate Social Responsibility program.
5. An entry to the African beer market through a Foreign Direct Investment via Nigeria is possible, but will result in a longsome and expensive process.

Analysis of AB InBev's Internal and External Situation

S	▪ Differentiated product portfolio ▪ Global brand awareness/well recognized brand portfolio ▪ Well experienced with M&As ▪ Large distribution networks ▪ Powerful and effective marketing strategy
W	▪ Dependent on buyers ▪ Financial stability (ratios) below industry average
O	▪ Growing beer market in Africa (esp. Nigeria) ▪ New trends (e.g. craft beer) ▪ Merger with SABMiller to enter the African market
T	▪ Market saturation ▪ Increasing awareness of healthy lifestyle → declining consumption per capita in some areas ▪ Climate impact on hop and barley supply and quality ▪ Strong bargaining power of buyers on group profitability ▪ Environmental hazard in China

Figure 1: SWOT-analysis of AB InBev

1. Deal Funding Strategy

Before the M&A, AB InBev had $8.357bn cash in hand and SABMiller $0.965bn. The acid-test ratio ((current assets-inventories)/current liabilities) is only 57.21 %. Since this might cause liquidity problems, cash in hand should not be further lowered. Thus, whole payment has to be funded by additional equity and liabilities as well as by sales of other subsidiaries. From this, $21bn are expected to be raised (see Table 1).

Country	Sold shares	Expected price for sold shares
US	MillerCoors (49% owned)	$12bn
EU	SABMiller operations in Poland, Slovakia, Hungary, Romania (100% each)	$8bn
China	CR Snow (49% owned)	$3bn
Total		$21bn

Table 1: Cash-inflow generated by sales of subsidiaries

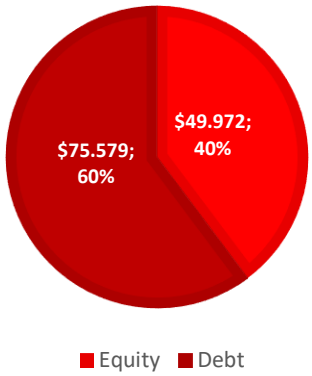


Figure 2: Equity and Liabilities of AB InBev before M&A CR Snow

The current gearing of AB InBev is around 60.20 % (compare Figure 2).
The announced goal is to achieve a gearing level of lower than 40 %. This should be set as a long-term goal, since an enormous investment like the payment of $105.5b for the acquisition of SABMiller usually increases debt in comparison to equity. An opportunity to lower the gearing is to raise further equity through new issue of shares. Issuing additional 25 % of current outstanding shares is reasonable for an unusual funding like this one-of-a-kind merger. For a current market capitalization of $185.26bn (1.669bn outstanding shares at an actual course of $111.00), this would lead to a new market price per share after the emission of $88.80. This is equal to the sales price per share and sums up to additional equity of $37.05bn (see Appendix 1). The remaining $47.45bn have to be funded as debt. $15bn can be funded as cheaper bonds which are emitted on the bond market with different interest rates (compare Appendix 2). The remaining $32.45bn can be generated as a bank

loan from several partner banks.

Due to the high amount of additional equity, gearing will decrease after the merger by 1.62 percentage points to 56.58 % (see Table 2). However, the level of debt (total debt/EBIT) will increase from 5.95 to 8.15 and interest coverage (EBIT/Interest Expenses) will decrease from 8.71 to 3.43. Since this development predominates the small improvement of gearing, a downgrading from A/A2 to A-/A3 (S&P/Moody's respectively) is likely. Moreover, a long-term annual increase of dividend payments by 10 % is hardly achievable since synergy integrated consolidated EBIT after the M&A is forecasted to increase only by 4-5 % per annum (compare Figure 2).

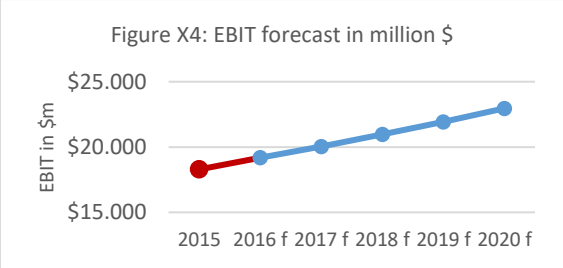


Figure 3: EBIT forecast in million $

all figures in $m	AB InBev	SABMiller	total 2015	total 2016
Liabilites	$75,592	$20,556	$96,148	$143,598
Equity	$49,972	$23,172	$73,144	$110,194
EBIT	$4,384	$13,904	$18,288	$19,182
Interest expenses	$1,097	$1,003	$2,100	$5,596
			2015	2016
Gearing			56.79%	56.58%
Level of debt			5.26	7.49
Interest Coverage			8.71	3.43

Table 2: Calculation of key measures for credit worthiness for rating agencies

2. Shareholders, Synergies, Legal Concerns

This chapter discusses operational and relational concerns from shareholders' point of view. The underlying Porter's Five analysis (Appendix 3) shows that upstream value chain is no urgent concern – a reaction to the supplier union is therefore not discussed.

2.1 Shareholders and Synergies

SABMiller's value (and thus whether it is overpriced) is influenced by the following factors:

- Market value of the acquired company
- Present value of cost synergies (add)
- Present value of revenue synergies (add)
- Present value of integration costs (subtract)

Considering these measures and a WACC of 7.0 % shows that the individual company value of SABMiller to AB InBev is $120.185bn (compare Figure 4 and Appendices 4, 5 and 6), which notably exceeds the proposed acquisition price of $105.5bn. This is in case synergies are realized in the planned horizon of four years. Even in a bad case scenario of eight years needed, the value exceeds its acquisition price by $6.683bn (see Figure 5). These findings are to be communicated to the shareholders together with the notion that long-term growth potential of AB InBev depends on its entry in the African market due to mostly stagnating numbers in the rest of the world. Once shareholders have internalized that, the ¾-majority required for a capital increase (see

chapter 1) can be obtained by showing that although it comes with a dilution of voting rights, deleveraging lowers the underlying business (and therefore each shareholder's individual) risk.

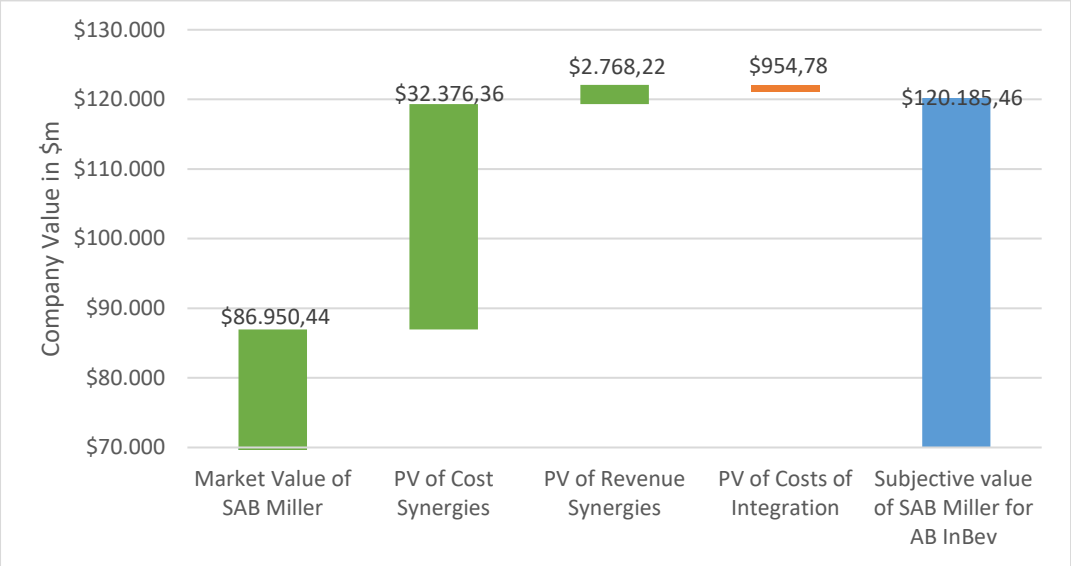


Figure 4: Value contribution of SABMiller's company value in $m by realizing synergies within four years

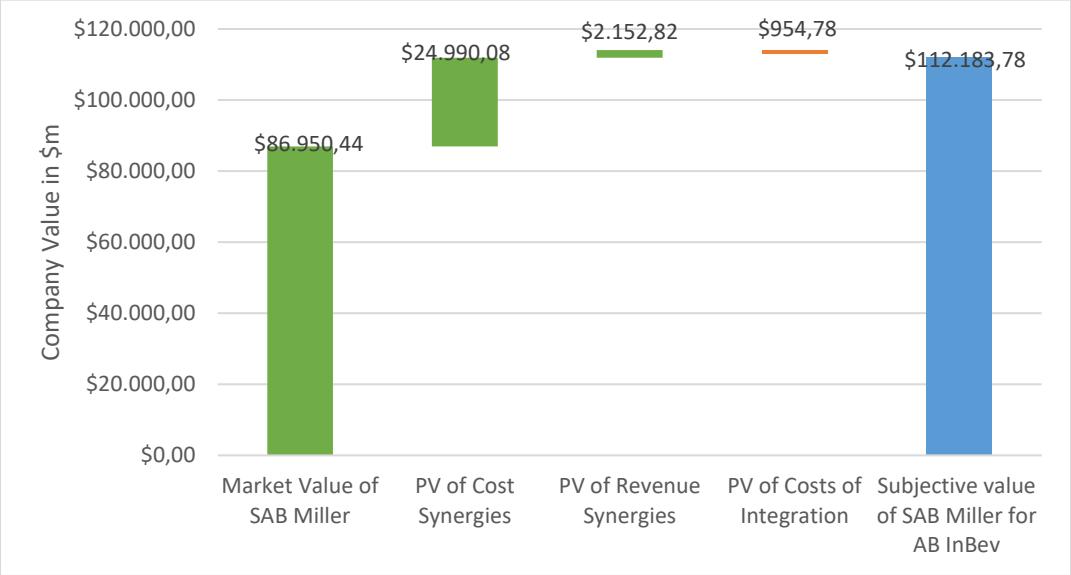


Figure 5: Value contribution of SABMiller's company value in $m by realizing synergies within eight years

2.2 Anti-trust issues and other concerns

AB InBev operates in 25 countries, most notably holding leading shares in the USA, Canada, Mexico, Brazil, Argentina, and Belgium (EU). **SABMiller** operates in 62 countries, 25 of which are in Europe and 16 of which are in Africa, where AB InBev isn't represented. Most of the worldwide antitrust agencies apply the **effects doctrine**: If a merger or acquisition **impacts** domestic competition, it can be reviewed even if no domestic firms are represented. That means it is possible that over 30 antitrust agencies have to be convinced of the merger. The rule of thumb is that where market shares of over 40 % are accumulated (ante or post-merger), antitrust agencies take special interest.

Therefore, AB InBev has to actively pursue talks with all potentially involved regulatory parties **including** those in countries where only one company is currently active. The negotiations should be started in countries where

strong involvement is expected, therefore in:

- **USA**
- **China**
- **the EU**
- **South Africa**

In these markets substantial amounts of **holdings have to be divested** or **investments have to be made** to gain approval for the merger. We anticipate the following remedies:

	Divestiture/Investment	Value	Beer market share without divesting	Beer market share after divesting
USA	MillerCoors	$12bn	70 %	43 %
China	CR Snow	$3bn	27 %	19 %
EU	SABMiller operations in Poland, Slovakia, Hungary, Romania	$6bn	55 %	30 %
South Africa	Investment in suppliers and downsized staff	-$100m	90 %	90 %

The divestitures are chosen such that they lower the revenue considerably without eroding the overall profit margin. The most notable brands shed are those in **SABMiller's US portfolio** (which are stagnating), **Snow** in China (which is the top selling beer brand volume-wise, but has a very small profit margin) and **Tyskie** (PL), **Topvar** (SK), **Dreher** (HU), and **Ursus** (RO) in a European market that is stagnating as well. The resulting revenue losses and especially the stronger competition in the already stagnating US market have to be accounted for when calculating the value of the merger. Further, but slimmer divestments have to be expected in other countries. However, many of the smaller economies follow the decisions of the biggest three agencies, so gaining approval in the above-mentioned order will shorten the overall negotiation time. To assess the remedies and regulatory specifics of the other countries, the legal departments there should be instructed to conduct an analysis.

In South Africa, merging will not affect the market shares and an antitrust agency veto is not expected. However, as Africa's by far largest beer consumption market and SABMiller's biggest stronghold, it is important to uphold the good relations to the South African government. Therefore, AB InBev should commit to investing **$50 million** in the upstream supply chain (in the long run benefitting our own sustainability and quality goals) and further **$50 million** in supporting downsized staff (as described in chapter 4), thus avoiding conflicts with the government over tax issues and with trade unions over staff reduction.

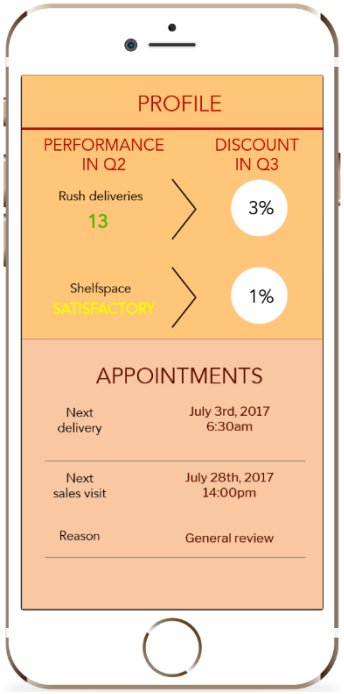
3. B2B and Downstream Supply Chain in Southern Africa

AB InBev is looking for a way to deal with the least profitable customers in its downstream supply chain. With the greatest threat in the market being the high bargaining power of customers (see Appendix 3), an incorporation of a wholesaler must be avoided. Likewise, direct consumer retailing does not solve the actual issue and is neither scalable nor profitable enough for a company of this size.

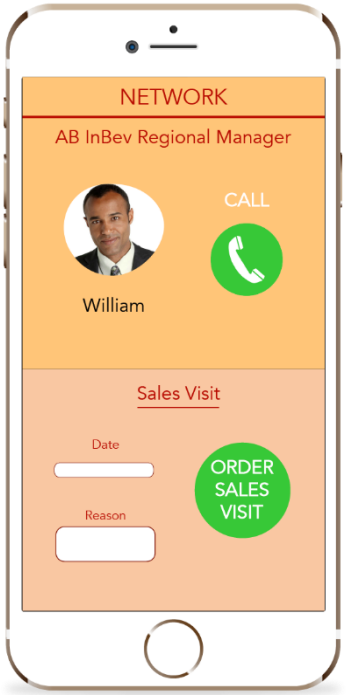
AB InBev is therefore advised to enter the B2B eCommerce market and set up an online shop as well as an app for their business customers. Through digitalizing and simplifying most of the logistic process, supermarkets will reduce **both** number **and** cost of cost-generating activities.

Based on the size of the customer, the system underlying the new online shop will provide an improvement to its procurement process. Bigger scale customers with a large turnover will receive an RFID-system from AB InBev. The system tracks beer crates as they leave from storage to shelf and automatically places an order when a statistically critical amount is reached. Smaller scale customers will receive physical dash buttons for each of AB InBev's brands traded. Employees press the button to automatically commission a reorder. The quantity ordered and the time of delivery are adjusted in the app with statistical help of the underlying algorithm.

The implementation of this strategy comes with numerous benefits:



The direct contact ensures AB InBev a more intense relationship with their customers. AB InBev is able to keep track of their customers' buying habits and can – if needed – come up with individual solutions. From AB InBev's perspective, detailed insights into the buying habits are a very valuable source for market research data. Through the online platform, it will be also easier for the two parties to communicate. The supermarkets will be able to contact AB InBev's regional manager directly and vice versa. All of the above are important factors for strengthening sustainable customer loyalty.



The online shop will be capable of helping less profitable supermarkets to become more profitable. In fact, this solution would especially help smaller customers to systemize their procurement and keep all of the important data well organized. This way, AB InBev also makes effort to strengthen the local economy. In addition, inaccurate sales forecasts and rush deliveries will not be a problem for AB InBev anymore. After only a short number of orders placed, the system would be able to forecast sales for every customer.

Looking at this strategy from a financial perspective, direct retailing to B2B customers leads to a much higher profit margin than selling in extremely large bulks to a wholesaler.

Since digitalization is one of the most important buzzwords of our time, it is extremely important to keep up with the changing times, especially for big players like AB InBev. Entering the B2B eCommerce market is a very important step that needs to be taken to continue being an innovative global player. Since the eCommerce business is becoming more important every day, introducing an online shop would allow AB InBev to set a leading example in the brewery industry.

Another very big advantage of the online shop would be the reward system. Customers are given the chance to earn discounts on their orders through a number of ways. Firstly, quantity discounts can be given, if a customer has ordered a specific volume of beer. This not only motivates supermarkets to buy in larger quantities but also strengthens customer loyalty. Secondly, AB InBev can give a discount, if the customer has successfully managed to stay under a certain percentage of rushed deliveries. By doing so, the customer ensures to place as little rushed deliveries as possible.

And finally, those customers who give adequate shelf space to AB InBev's products can also receive discounts. If customers wish to do so, they would have to scan the whole shelf with the help of an app that is connected with the online shop. When the app recognizes that AB InBev's products are placed at eye level and near the checkout, a discount will be granted on the customer's next order.

Summing up, the online shop would not only benefit AB InBev in cutting supply chain costs, but also strengthen the relationship with the different kinds of customers.

4. Environmental Hazard in China

Regarding the recent environmental hazard in China, AB InBev should react actively. Although the water pollution incident only seems to be a minor problem at the moment, it can quickly grow into a major one considering long term effects. It could increase the delay of production start in the new brewery facility further, and thus, lead to increasing costs and missing revenue. Moreover, this issue could harm not only AB InBev's image in China but also affect the global image negatively. Hence, this issue should be seen as a chance to create, publish and promote AB InBev's Corporate Social Responsibility strategy – both in China and on a global level.

AB InBev's Three Pillars of Corporate Social Responsibility

A sophisticated Corporate Social Responsibility (CSR) program is essential to a company because it shows the concern for wider social issues and the interest for the bigger picture beyond monetary goals. CSR can improve the public image of a company, make consumers more eager to engage with a brand and keep stakeholders satisfied. That is why AB InBev should focus more on sustainability, both environmentally and socially, by introducing the following three pillars of CSR.

Pillar 1: Environmental Sustainability

With the farming of hop and barley, the beer brewing industry is relying heavily on the long-term well-being of nature. Hence, AB InBev needs to handle its natural environment in a highly sustainable way. To support this goal, AB InBev should constitute an **ethics program** consisting of the following four components.

(1) Sustainability Goals: The AB InBev Ethics Program should concentrate on three main goals regarding environmental sustainability. The company should aim at **(a) reducing carbon gas emissions** by using mainly renewable energy and transforming the logistic system. Furthermore, it should aim at **(b) reducing water usage and improving water quality and availability**. This can be done by reengineering the brewery process to save water and by investing into eco-friendly infrastructure systems. Finally, AB InBev should aim at **(c) waste reduction**, for example by recycling and preferring glass over plastic bottles.

(2) Code of Conduct for Contract Partners: A code of conduct helps with communicating organizational expectations. To ensure that not only AB InBev's employees but also its contract partners fulfill the three sustainability goals, the company should introduce a Code of Conduct for Contract Partners. Before entering a business relationship with AB InBev, partners have to sign that they will act in accordance with the sustainability goals.

(3) Ethics Training Programs: Ethics training programs are important to communicate organizational expectations, raise awareness of applicable regulations and inform employees of available resources and support systems. So, after publishing its sustainability goals, AB InBev should spend resources on training and educating their employees and contract partners about the new rules.

(4) Monitoring and Enforcement Finally, to ensure the proper realization of a new CSR, monitoring and enforcement measures are essential to an effective ethics program. Fulfilment of the goals should be monitored on a monthly basis. The enforcement should include a reasonable due process.

Pillar 2: Social Responsibility

SABMiller will, effectively, **downsize** post-merger. This has psychological effects on **all employees**, not only the ones leaving, and has to be addressed actively by the HR department.

In terms of vacating positions, HR has to **transparently** communicate

BEFORE

- the amount and criteria
- in **each department**
- **face-to-face**

HR has to take actions to **support** leaving staff in finding a new job through:

DURING

- **Redeployment** within the company where possible (due to leaving or retirement)
- Introduction to other companies through **outplacement consultants**
- Lower **continued pay** for the duration of finding a new job (or 6 months)

Post-redundancy, survivors have to regain trust in the company:

AFTER

- Communicate reliably that the cut is **one-time**
- Provide **additional training** for the new tasks employees have to face (if they do)
- **Involve** remaining employees in further tasks and let them know they're valuable

The expenses for the outplacement consultancy, the continued pay, and the other actions are accounted for with $50 million in all calculations. With this approach, conflicts with the **trade unions** will be avoided and relations to them and the South African government will be enhanced.

Pillar 3: Health Promotion

The third pillar of AB InBev's new CSR program aims at promoting a healthier world. This pillar is adopted form the third core pillar of AB InBev's marketing strategy in Africa. More precisely the goal of this pillar is creating a healthier world "where every experience with beer is a positive one for lives well lived." It aims at extending and expanding the Global Smart Drinking Goals, to help reduce the harmful use of alcohol significantly and measurably across all markets.

Back to the recent environmental issue in China: As part of their new environmental sustainability report, AB InBev should publish a press release stating that the company is taking responsibility for the pollution caused by their contracted construction workers in China. Furthermore, AB InBev should introduce the "AB InBev – Giving Back to Nature" campaign in China. With this campaign, the company commits to donating 10 Yuan (ca. $1.6) to the *World Wildlife Fund China* for each beer crate of the premium brand *Budweiser* that is sold in China. This campaign will act as a redemption for the trouble that the construction of the new brewery facility has caused and show that AB InBev is concerned about the environment and wildlife in China.

5. Africa Direct Entry

In case that the targeted acquisition of SABMiller cannot be executed, AB InBev could enter the African beer market with a Foreign Direct Investment (FDI) in Nigeria. As a result of the growing population and a high operational margin of around 50% (see Figure 6) the Nigerian market is extremely promising for scale-focused breweries like AB InBev.

However, there are certain entry barriers (compare Appendix 7) to be considered. For example, the three established competitors (see Figure 7) intensively leverage economies of scale to boost operative margins. Although AB InBev has the needed financial power and operational know-how to rapidly enter the market, the company needs to scale up production within a short time span to stay competitive. High brand awareness of the existing competitors based on intense and vast marketing campaigns which tied customers to competitors' brands will be the main hurdle to overcome when entering the African beer market. Therefore, AB InBev will need to come up with a customer-oriented and outstanding marketing campaign to steal market share from their competitors. Figure 3 shows an overview of possible marketing activities for the upcoming years of 2016-2020 which are in line with the three-pillar strategy of AB InBev of a **growing, cleaner and healthier world**.

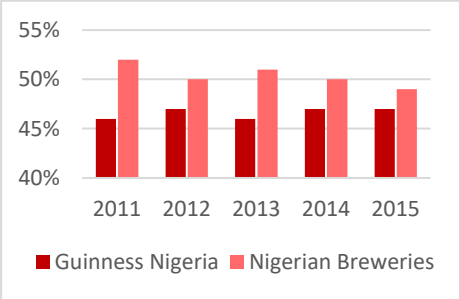


Figure 6: Gross margin of the two biggest players on Nigerian beer market

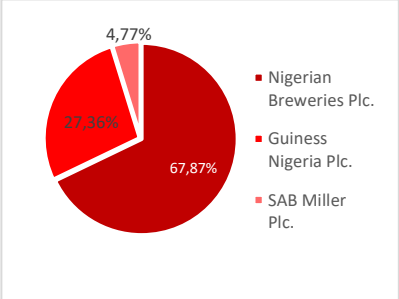


Figure 7: Market share of the three main competitors in Nigeria

The marketing expenses were included in a net present value calculation (see Appendices 8 and 9) to analyze the profit potential of the market entrance in Nigeria with the FDI. Considering a standard deviation of assumed cash flows of 25.0 %, three different cases were calculated: one average case which reflects the numbers as they were assumed, and a best (worst) case in which cash-inflows exceed (undercut) the assumed numbers by 25.0 %. Figure 8 reveals that the NPV of the first five years is positive in each of the three scenarios. Considering the long-term horizon of the market entrance in Nigeria, a terminal value was taken into account which reflects the value of perpetual operations and increases NPV in each scenario as displayed in Figure 9.

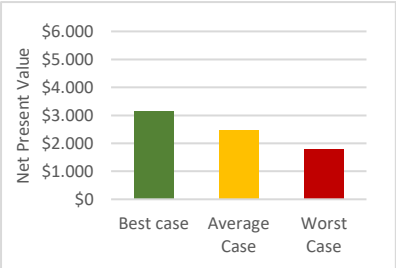


Figure 8: NPV-Scenario-Analysis of first five operating years

Figure 9: NPV-Scenario Analysis inclusive perpetuity value

1st Wave	Togo, Ghana, Ivory Coast, Cameroon	<1 year
2nd Wave	Angola, Namibia, South Africa	<2.5 years
3rd Wave	Ethiopia, Kenya, Tanzania	<4 years

Figure 10: Wave wise expansion within Africa

After entering the African market via Nigeria, a quick expansion into neighboring countries is crucial to create synergies on marketing campaigns and production facilities. Based on beer consumption, the GDP per capita and the overall population (compare Appendix 10-12), a stepwise approach was created to stepwise expand to other regions in Africa (see Figure 10, compare Appendix 13). First wave countries were chosen due to above-average beer consumption per capita and short distance to Nigeria to utilize Nigerian production facilities and should be entered within one year. For second wave countries, new production facilities and distribution channels have to be established. Hence, the market entrance should be managed within 2.5 years. These countries do not only

have a high GDP per capita (thereby high purchasing power) but also the highest beer consumption per capita in Africa. The third wave expansion covers the highest populated countries in the eastern part of the continent which only have a moderate beer consumption per capita. These countries should be supplied within four years. Markets in Northern Africa have very low beer consumption due to high share of Muslim population. Thereby these markets have a very small potential, which is why these countries are not attractive to be entered in mid-term.

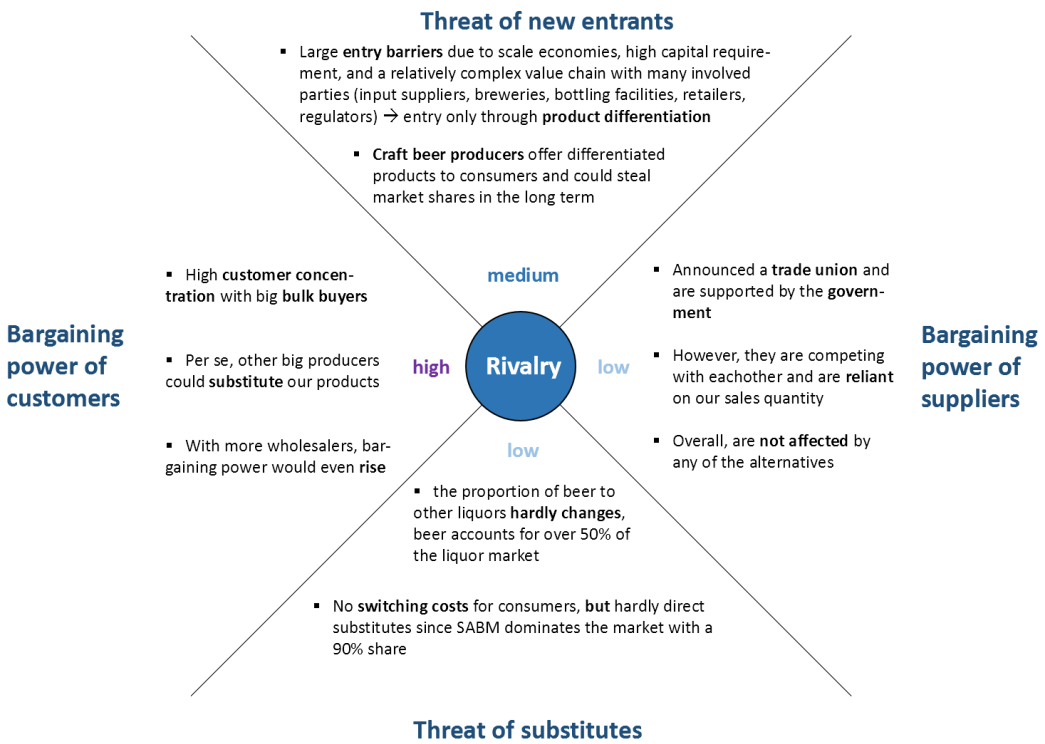
Appendix

Nr.				Calculation
1	Outstanding Shares in m	1669		
2	Current Price per share	111		
3	Nominal Value per share	29.54		
4	Newly Issued shares in m (25%)	417.25		=1*25%
5	Market Capitalization before and after the emission	185,260		=1*2
6	Emission price per share	88.8		= 5/(1+4)
7	Additional cash inflow	$37.05bn		=4*6

Appendix 1: Calculation of emission price per share

Debt	Duration	Coupon	Nominal Value	Interest Expenses
Bond 1	5 Years	3.0 %	$5bn	$150m
Bond 2	10 Years	4.0 %	$5bn	$200m
Bond 3	15 Years	4.5 %	$5bn	$250m
Bank Loan	Long-term	9.0%	$32.45bn	$2921m

Appendix 2: Debt and belonging interest payments



Appendix 3: Porter's 5 Forces in the South African Market

all figures in $m	1	2	3	4	5	6	7	8
A	$80.00	$40.00	$2.00	$50.00	$30.54	$23.49	$18.07	$13.90
B	$120.00	$67.50	$15.00	$100.00	$32.49	$24.99	$19.22	$14.79
C	$70.00	$55.00	$40.00	$50.00	$38.17	$29.36	$22.59	$17.37
D	$20.00	$15.00	$10.00	$48.00	$0.00	$0.00	$0.00	$0.00
Total	$290.00	$177.50	$67.00	$248.00	$101.20	$77.85	$59.88	$46.06
Discounted	280.35	165.89	60.53	216.61	85.45	63.55	47.26	35.14
Present value of Integr. C.	$954.78							

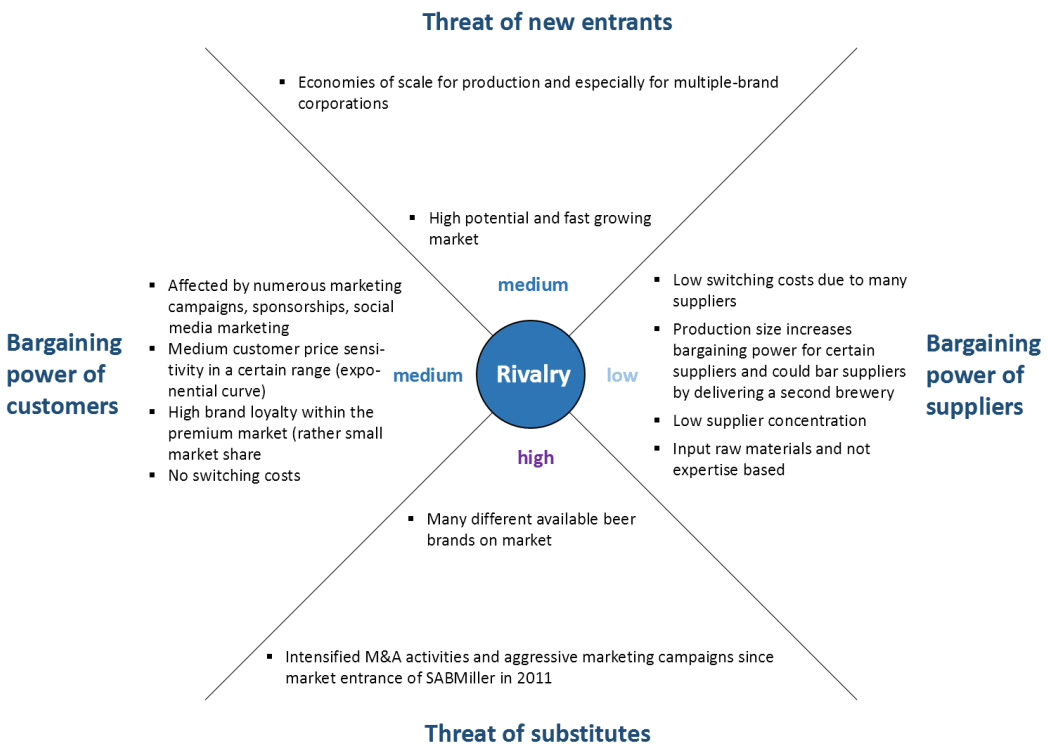
Appendix 4: Development and present value of integration costs in $m over first 8 half-years

all figures in $m	1	2	3	4	5	6	7	8
A	$0.36	$0.90	$2.26	$5.67	$14.26	$35.87	$90.20	$226.84
B	$46.54	$77.82	$130.11	$217.55	$363.74	$608.18	$1,016.88	$1,700.22
C	$123.95	$148.93	$178.93	$214.99	$258.31	$310.36	$372.90	$448.04
D	$5.00	$10.00	$20.00	$74.80	$74.80	$74.80	$74.80	$74.80
Total cost synergies	$175.85	$237.65	$331.30	$513.01	$711.11	$1,029.21	$1,554.78	$2,449.90
Discounted Cost synergies	$170.00	$222.10	$299.33	$448.08	$600.45	$840.14	$1,226.95	$1,869.02
Accumulated Disc. Cost syn.	$170.00	$392.10	$691.43	$1,139.51	$1,739.96	$2,580.10	$3,807.05	$5,676.07
Present value of cost syn.	$32,376.36							

Appendix 5: Development and present value of cost synergies in $m over first 8 half-years

	1	2	3	4	5	6	7	8
Revenue synergies pa	30.71	40.41	53.19	70	92.13	121.25	159.58	210.02
Discounted Revenue syn.	$29.69	$37.77	$48.06	$61.14	$77.79	$98.98	$125.93	$160.22
Present value of cost syn.	$2,768.22							

Appendix 6: Development and present value of cost synergies in $m over first 8 half-years



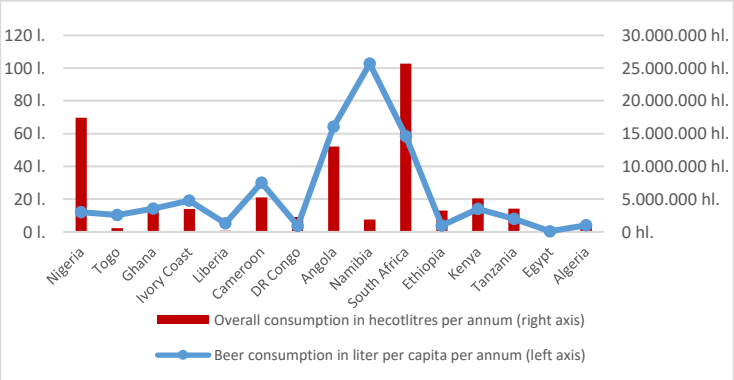
Appendix 7: Porter's 5 Forces in Nigeria

A Growing World	Social media & online advertisement of new brands (3,000m banner ads in total at Facebook, Instagram, Twitter and Google)	$15m
	TV-advertisement clip: "From Hop to Refreshment"	$15m
	Conduct a start-up contest for innovative ideas regarding the beverages industry in Nigeria	$4m
A Cleaner World	"Giving Back to Nature" campaign	$10m
	Fee for consultancy to conduct market research by which costs farmers could be incentivized to offer sustainably grown hops and malt	$5m
A Healthier World	Billboard advertising with warnings of alcohol abuse and advertising for non-alcoholic beers in Lagos, Kano, Ibadan, Benin City and Abuja schools and universities)	$5m
	Sponsorship of the Nigerian Football Premier League	$20m
	Sponsorship of 5 selected Nigerian football and rugby players each for TV and online advertisement	$10m
Total Expenses per annum		$84m

Appendix 8: Marketing expenses per annum for 3-pillar advertising strategy in Nigeria

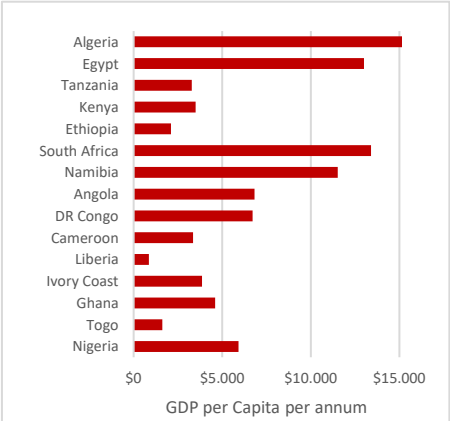
	Y1	Y2	Y3	Y4	Y5
	2016	2017	2018	2019	2020
Price per Batch	NGN 286,050	NGN 300,353	NGN 315,371	NGN 331,140	NGN 347,697
Produced & Sold Batches	1,250,000	1,875,000	3,750,000	3,250,000	1,875,000
Total Revenue in NGN	NGN 357,562,500,000	NGN 563,161,875,000	NGN 1,182,641,250,000	NGN 1,076,205,000,000	NGN 651,931,875,000
Total Revenue in $	$906,121,118	$1,265,813,913	$2,357,718,617	$1,902,989,039	$1,022,458,826
Producing & Selling costs per Batch	NGN 35,600	NGN 37,380	NGN 39,249	NGN 41,211	NGN 43,272
Produced & Sold Batches	1,250,000	1,875,000	3,750,000	3,250,000	1,875,000
Special packaging material in $	NGN 35,000	NGN 36,750	NGN 38,588	NGN 40,517	NGN 42,543
Produced & Sold Batches	1,250,000	1,875,000	3,750,000	3,250,000	1,875,000
Training and development costs	NGN 35,600,000,000	NGN 14,017,500,000	NGN 0	NGN 0	NGN 0
Depreciation	NGN 7,000,000,000	NGN 7,000,000,000	NGN 7,000,000,000	NGN 7,000,000,000	NGN 14,000,000,000
Marketing expenses in $	NGN 29,400,000,000	NGN 29,400,000,000	NGN 29,400,000,000	NGN 29,400,000,000	NGN 29,400,000,000
Operational Expenses in NGN	NGN 160,250,000,000	NGN 189,411,250,000	NGN 328,286,875,000	NGN 302,015,610,000	NGN 204,302,600,000
Operational Expenses in $	$406,099,379	$425,737,974	$654,474,108	$534,036,169	$320,418,443
Profit Before Taxes	$500,021,739	$840,075,939	$1,703,244,509	$1,368,952,870	$702,040,383
Taxes	$125,005,435	$210,018,985	$425,811,127	$342,238,217	$175,510,096
Net Profit after taxes	$375,016,304	$630,056,954	$1,277,433,382	$1,026,714,652	$526,530,287
Discounted NPAT	$375,016,304	$572,779,049	$1,055,730,068	$771,385,914	$359,627,271
Accumulated Discounted NPAT	$375,016,304	$947,795,353	$2,003,525,421	$2,774,911,335	$3,134,538,606
Dollar development with base 2016	1.0200	1.0404	1.0612	1.0824	1.1041
NGN development with base 2016	1.1500	1.3225	1.5209	1.7490	2.0114

Appendix 9: NPV Calculation of Market Entry in Nigeria



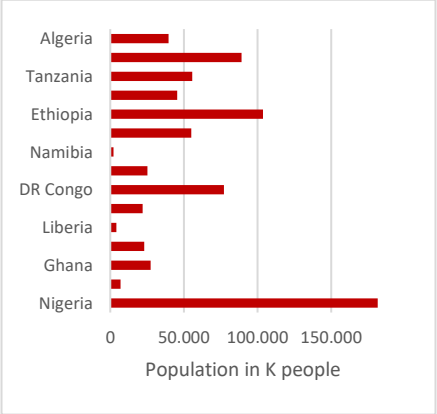
Appendix 10: Beer consumption per capita and overall of selected African countries

Source: https://www.telegraph.co.uk/travel/maps-and-graphics/beer-consumption-per-capita-countries/



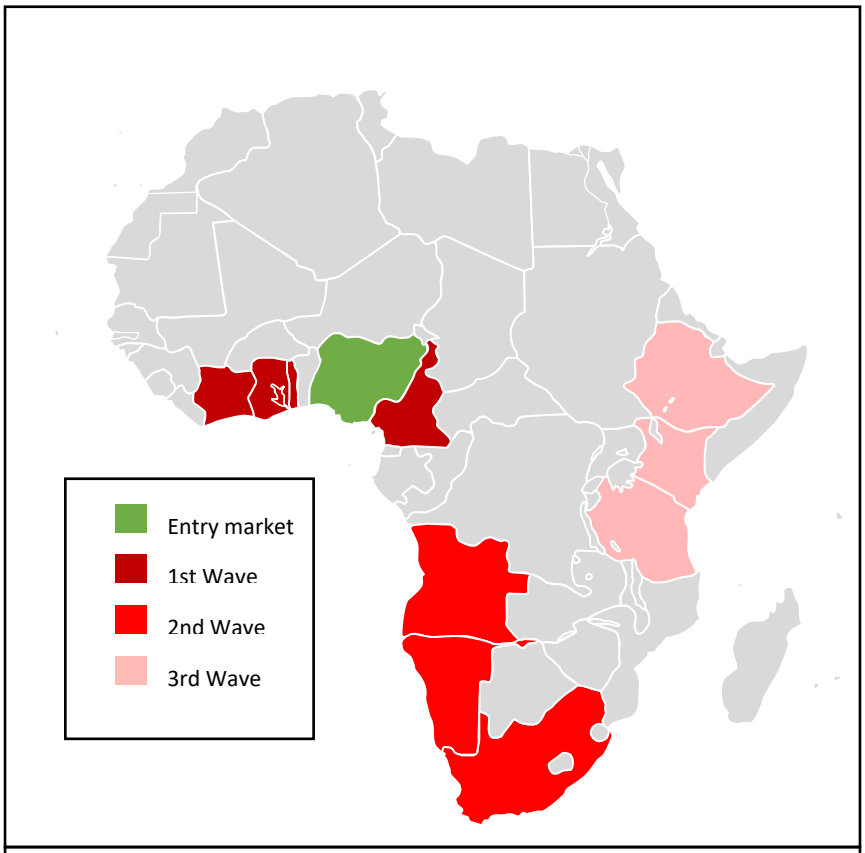
Appendix 11: GDP per Capita per country

Source: http://www.imf.org



Appendix 12: Population per country

Source: http://www.worldometers.info



Appendix 13: Expansion in Africa