

Team Presec Boys Board Presentation



AB InBev

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Prioritization of Issues



Basis of Prioritization

Environmental Hazard in China.

RECOMMENDATION



1. AB InBev Should realize that this is an ethical issue



2. The Chief Project Engineer should be checked



3. Recycle site should be built



The Chinese benefit through employment

Benefit: Goodwill and more profits

Africa Direct Entry via Nigeria

The Problem:

How to manifest the goal of attaining 30% or even more of the market shares of brewery companies in Nigeria by the 5th year.

Nigeria has one of the world's largest populations

Demand of goods, in this case beer, is directly proportional to population

Ceteris paribus, Revenue generated increases (assuming price remains constant) since

Revenue = Price × Quantity sold

Because Nigeria has a propensity of increased population growth, it means demand of beer in Nigeria has the propensity to grow in the next few years.

Higher demand also results in ready market for goods and in some cases possibility of charging higher prices

Recommendation:

AB InBev should focus on Nigeria Instead of other countries and acquire market shares of Heineken in Nigeria.

Advantages of Action:

- ⌘ Invitation of potential dealers
- ⌘ Possibility of taking over dealership shops in near future
- ⌘ Greater profits
- ⌘ Increased popularity
- ⌘ Expansion of business in Africa

Africa Direct Entry via Nigeria

Projected Income Statement For AB InBev					
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	766,906,708.9	1,072,161,430	1,995,886,168	1,610,884,663	865,699,983.4
Discount Received	50,050,000	55,055,000	60,560,500	66,616,550	73,278,205
Total Revenue	816,956,708.90	1,127,216,430	2,056,446,668	1,677,501,213	938,978,188.4
Less Cost of Sales:					
Cost relating to production and sale of batches	99,139,240.51	145,200,000	283,168,924.3	239,429,498.2	134,798,172.4
Special Packaging Materials	105,000,000	165,375,000	347,287,500	316,031,625	191,442,234.4
Training and Development	79,311,392.41	29,040,000			
Initial Cost per Year	100,100,000	100,100,000	100,100,000	100,100,000	100,100,000
Total Cost	383,550,632.92	439,715,000	730,556,424.30	655,561,123.20	426,340,406.8
Net Profit	433406075.98	687501430	1325890243.7	1021940089.8	512637781.6

Average Net Profit (Mean of Net Profit for 5 years) = $\frac{3981375621.08}{5} = 796,275,124.216$

$\frac{70 \times 796,275,124.216}{30} = 1,857,975,289.8373333333333333$ net profit each year

B2B and Downstream Supply Chain Strategy in Southern Africa

Problems:

High cost of servicing some of the major supermarket customers in Africa

Lack of adequate shelf space given to its products relative to rivals

Inaccurate Sales Forecast

SABMiller, under the supervision of AB InBev, should find modern and less expensive methods of servicing its supermarket customers in Africa

The company should consider making their products more attractive by improving the packaging and reducing price

When the market for their products become stable, they will be able to know the trend of sales and early forecast their prospective sales revenue. A qualified and specialized accountant should also be hired

Recommendations:



Problem: Funding Strategy for SABMiller Acquisition

Current cash level: US\$6.8 billion

Required Cash Level: US\$105.5 billion

Current industry average gearing: 49%

Required gearing: <40%

$$G\% = \frac{\text{Debt}}{\text{Debt} + \text{Equity}} \times 100$$

Required Total Shareholder Return: 14%

TSR = $\frac{\text{Change in share price} + \text{Dividend}}{\text{Share price at the start of the year}}$

Recommendations:

1. Use credit worthiness to acquire a few favorable loans
2. Float more shares
3. Debt Acquisition
4. Ensure Profitability of AB InBev to be able to increase or at least maintain the level of dividend payouts given to shareholders



- AB InBev has been able to make several successful mergers in the past and thus has enough experience with it
- Has high valued assets



- AB InBev has never made an acquisition this big
- It currently lacks the funds needed for the acquisition



- Cost synergies from acquisition would save the company millions of dollars
- Successful merger would increase global market share and eventually revenue



- Unrealized expected share price could make the merger unprofitable
- Unrealized expected share price could lead to a reduction of the goodwill of the company



The Estimate at Completion:

Estimated integration costs to be incurred by the end of integration			
2,000	- Procurement and engineering	800	-
Alignment of brewery bottling management	57.75	- Staff cost	
+ 96.20	- HQ, Regional Office Cost		
US\$ <u>2,953.95</u> million			

Recommendation:

AB InBev should pause a little bit on the integration process and focus on gaining more financial grounds or stability from other avenues such as its entry in Africa and its largest brewery in China. This would create a conducive financial situation in the near future for the acquisition of SABMiller.

Conclusion: Point-by-Point Way Forward

① Environmental Hazard in China

- Clear waste from water bodies, build a recycle site and put checks on the project engineer

② Africa Direct Entry via Nigeria

- Focus on Nigeria and gain market share of Heineken in Nigeria to gain more successes before moving to other African countries

③ B2B and Downstream Supply Chain Strategy in Southern Africa

- Use less expensive methods of servicing, improve packaging and reduce price to allow for easy sales forecast

④ Deal Funding Strategy and Group Financial Performance

- Liquidate small percentage of assets and issue new shares

⑤ Integration, Synergies and

- Pause a little on the acquisition and focus on other avenues such as the Africa Direct Entry via Nigeria and the Largest Brewery in China

Anheuser-Busch InBev

Concluding Remarks:

AB InBev is likely to make huge successes in the near future. The recommendations provided, if followed, would provide increased returns and performance of AB InBev, and would ensure its firm position in the global market, including Africa, in the years to come.

Thank You for your time and cooperation.
We Kindly Invite Any Questions.

Board Presentation
By Team Presec Boys

