Presentation of Recommendations

Prioritisation of issues:

1. Environmental hazard in China
- Less than one week
- Threat

2. Deal funding strategy and group financial performance
- Less than one year
- Threat

3. Integration synergy and execution risk
- Less than six months
- Threat, opportunity

4. Africa direct entry via Nigeria
- Within one year
- Opportunity

5. B2B Downstream supply chain strategy in Southern Africa
- Following year
- Threat

Environmental hazard in China recommendations:

1. Accountability:

- AB In Bev should accept responsibility for their actions.

2. Apology:

- Formal apology to the community.

3. Waste Removal:

- Remove waste from river.

4. Be Proactive:

- Be proactive in conservation programs in China.

5. Public Relations:

- Work hand in hand with protest groups.

Deal funding strategy and group financial performance recommendations:

AB In Bev should take out loan for 20 years.

- Credit ratings already A and A2 from ratings agencies
- Return on invested capital 10.52%, interest on loan 6%

AB In Bev should negotiate with creditors to convert loans into share options.

- Keep gearing below 40%

AB In Bev should institute a share buyback.

- Grow dividends per share by 10% year on year.
- Deliver total shareholder returns of 14% year on year.

Integration synergy and execution risk recommendations:

Continue with integration project:

- Cost-saving
- Competitive advantage
- Synergies outweigh costs
- Stronger according to Porter's model

5-6 years Planning Horizon:

- Schedule variances occurred
- Achieve sound integration
- Largest acquisition in industry

Total costs: $ 2.9 Billion (1)
Total Synergies: $ 9.8 Billion (2)

Revised budgeted total for completion: $ 2.9 Billion (1)
Current at Midway Milestone: $ 248 Million (3)
Original budgeted for completion: $ 290 Million

Africa Direct Entry via Nigeria recommendations:

AB In Bev should invest because of high return on investment. 1YR $ 440 Mil, 2YR $ 574 Mil, 3YR $ 981 Mil, 4YR $ 714 Mil, 5YR $ 337 Mil (4-8)

This gives AB In Bev foothold into Africa

The Market in Nigeria is largely untapped this can become a big opportunity for AB In Bev

Surplus funds will then be invested into the plant technology.

Possible competitive issues can be prevented by not fully pursuing FDI's

High returns from the project can be used to finance loans (Newco) would've acquired in order to establish itself.

B2B downstream supply chain strategy in Southern Africa recommendations:

1.Venture into Direct Retailing:

- AB In Bev should venture into direct retailing as it saves costs and will only benefit Newco. Total cost savings $ 3.7 Mil (9).

2.New income stream:

- Open new income stream for AB In Bev and will also add another business function to its core business reducing the bargaining power of supermarkets.

3.New Brand Image:

- Create new brand image for Newco and will also allow more direct interaction with the customer creating convenience as well as help Newco develop and reach targeted synergies.

Ethics:

Environmental Hazard in China

- Should act with care when dealing with Protestors
- Invest into CSR

Deal Funding Strategy and Group Financial Performance

- Prioritise workforce over financial performance

Integration, Synergy, and Execution Risk

- Caution when dealing with employee retrenchment

Africa Direct Entry via Nigeria

- Stick to values outlined in Marketing strategy
- Brewery facilities should meet all standards
- Investment into community

B2B Downstream Supply Chain Strategy in Southern Africa

- Consider effect on Supermarkets
- Direct retailing will have more hands on approach
- Investment into CSR

Summary of Recommendations:

Environmental Hazard in China:

- AB InBev should give formal apology
- Invest into community affected

Deal Funding strategy and group financial performance:

- Consider acquiring loan
- Offer share option to creditors

Integration, Synergy, and Execution Risk:

- Continue to integrate
- Revise Planning Horizon

Africa Direct Entry via Nigeria:

- Continue with FDI in Nigeria
- Invest into technology

B2B Downstream supply chain strategy in Southern Africa:

- Consider Direct retailing

Appendices:

1. Revised Budget for completion (Millions) (2000+800+57.75+96.2=$ 2.9 Billion)
2. Budgeted synergies (Millions) (907.2+6801.6+1792+299.2=$ 9.8 Billion)
3. Cost of integration at Midway milestone (Millions) (50+100+50+48=$ 248 Million)
4. 1YR (730387341-209126582=$ 440 260 759)
5. 2YR (1021106124-447000000=$ 574 106123)
6. 3YR (1900844104-918926294=$ 981 917 808)
7. 4YR (1534175982-819628180=$ 714 547 802)
8. 5YR (824476246-487193793=$ 337 282 453)
9. Total cost savings (1678250+2036480=$ 3 714 730)