Anheuser-Busch InBev [AB InBev]and SABMiller: Would Strategic Benefits Come Easily with "Newco"?

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The CharterQuest CFO [and CFO Junior] Case Study Competition/s 2018
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On 11 November 2015, Carlos Brito, Chief Executive Officer (CEO) of global leading beer brewer Anheuser-Busch InBev (AB InBev), presented his final offer of US$105.5 billion (£69.8 or £44 pounds per share), to acquire its rival, SABMiller, which the company accepted.[1] The acquisition process had started in September and just over a month later, on 13 October, SABMiller had accepted the offer in principle, but had certain requirements before it would accept. Such a massive transaction could well present hurdles – one being anti-competitive issues. But would this acquisition deliver synergies[a] soon enough for InBev, Brito wondered?

AB InBev in 2015

Based in Leuven, Belgium, AB InBev had a primary listing[b] on the Euronext Brussels stock exchange and a secondary listing[c] on the New York Stock Exchange (NYSE). In 2014, the company's revenue amounted to US$47.063 billion – an organic increase of 5.9% from 2013.[2] (See **Exhibits 1a**, **Exhibit 1b**, **Exhibit 1c**, **and Exhibit 1d** for financials)

AB InBev operated in 25 countries in its six defined geographical zones: Asia Pacific, Europe, Latin America, Mexico, North America and South America. The company had sales in 100 countries and a workforce of approximately 155 000. AB InBev's portfolio of more than 200 beer brands included global brands Budweiser, Corona and Stella Artois; international brands Beck's, Leffe and Hoegaarden; and country-specific bestsellers such as Bud Light, Skol and Brahm.[3]
As for global beer market share in terms of revenue (2015), AB InBev led with 20.8% market share, followed by multinational brewing and beverage company SABMiller's 9.7% share. Heineken held third place with a 9.1% share and Carlsberg held fourth place with a 6.1% market share, followed

a The interaction or cooperation of two or more organisations, for example, to produce a combined effect greater than the sum of their separate effects. [Source: Oxford Dictionaries (n.d.), "Synergy", available at: www.oxforddictionaries.com/ (accessed 28 October 2015).]

b A primary listing referred to the main stock exchange where a publicly traded company's stock was bought and sold. [Source: Investopedia (n.d.), "Primary Listing Definition", available at: www.investopedia.com/terms/p/primary-listing.asp (accessed 26 November 2015).]

c A secondary listing referred to any listing of a security on an exchange other than its primary exchange. Secondary listings usually constituted an attempt to access new markets to raise capital, when the primary market was saturated. [Source: Investorwords (n.d.), "Secondary Listing Definition", available at: www.investorwords.com/5780/secondary_listing.html (accessed 26 November 2015).]

David Zidel and Stephanie Townsend prepared the original case as a basis for class discussion, rather than to illustrate either effective or ineffective handling of a business situation. This case has been adapted for use in The CharterQuest CFO (and CFO Junior) Case Study Competition 2018.

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by China Resources Enterprises in fifth place with a 6% share. The rest of the market comprised hundreds of independent local breweries, some of which catered for niche markets, such as craft and stout beers.[4] As of December 2014, AB InBev ranked in first position in beer sales in several markets: the USA (46.4%); Canada (42.1%); Mexico (57.8%); Brazil (68.2%); Argentina (78.1%) and Belgium (55.7%).[5]

Business Strategy

AB InBev had a long history of mergers and acquisitions in the brewing industry whenever its growth started to slow down. This formed the core of its growth strategy, clearly demonstrated by its acquisition of more than 100 breweries over the past 12 years.[6] Analysts also pointed out that AB InBev's "current [2014] stance on merger and acquisitions is that acquisitions are the preferred use for cash ahead of special dividends or share buybacks".[7]

Another proven strategy of AB InBev to integrate acquisitions successfully into its strong centralised operating model involved a cost-cutting process that followed the integration of a new company. In so doing, AB InBev was able to deliver synergies ahead of target. That said, unlike its most recent acquisition, SABMiller, most of AB InBev's former acquisitions consisted of companies which already had some operational ineffectiveness.[8]

Consolidation History

AB InBev came about through consecutive mergers of three international brewing groups: Interbrew from Belgium, AmBev from Brazil and Anheuser-Busch from the United States. Interbrew had its origins in 1366 in the small Den Hoorn brewery in Leuven, Belgium. Through a number of acquisitions over the years, and the eventual merging of two breweries in 1987 – Artois and Piedboef – Interbrew was established.[9] Anheuser-Busch brewery was established in 1852 in St Louis, Missouri in the USA. And in July 1999, the two largest Brazilian brewing companies, Brahma and Antarctica, merged to create AmBev.

Interbrew acquired AmBev in early 2004, and the two companies combined to form InBev – a transaction valued at US$11.5 billion.[10]. At the time, the newly formed InBev expected several benefits from the merger, including financial benefits, a good growth platform and cost synergies.[11] InBev purchased the Fujian Sedrin Brewery (the maker of Sedrin beer) in China in 2006 at a cost of US$745 million, turning it into the number three brewer in China – the world's largest beer market.[12] This transaction positioned InBev as one of the largest brewers in China.[13] In the same year, InBev increased its shareholding in the Argentina-based Quinsa for a purchase price of approximately US$1.2 billion, to secure its market in Argentina, Bolivia, Chile, Paraguay and Uruguay.[14] This move was somewhat risky as Argentina's economy had experienced a slump at the time, but it soon recovered.

In 2008, InBev acquired Anheuser-Busch in the USA for US$52 billion to create Anheuser-Busch (AB) InBev – a transaction that took five months to finalise. AB InBev originally anticipated synergies of US$1.5 billion within three years of the transaction's completion, and immediately after the acquisition reduced dividend payouts to lower its debt levels.[15] The combined company created an opportunity for the new AB InBev to expand in China, as it then emerged as a stronger company positioned for growth, having "gained access to a better brand portfolio, bigger scale and a bigger pool of talented people."[16] Since the merger, AB InBev pursued "organic and inorganic opportunities in China and expanded its vision to include South Korea, Vietnam and India."[17] AB InBev reported in its annual report of 2010 that "its ability to grow strong healthy brands contributed to its success".[18]

From 2011, AB InBev also started investing in smaller USA craft beer breweries. The overall size of the beer market in the USA in 2014 was valued at an estimated US$101.5 billion. Of this, craft beer accounted for about US$19.6 billion, or 19.3%.[19] In the same year, in line with its strategy, AB InBev bought two craft beer breweries: Blue Point Brewing Company in Long Island, New York, and the Oregon-based 10 Barrel Brewing in December, at an undisclosed price. AB InBev almost immediately invested US$10 million into expanding 10 Barrel Brewing.[20] In addition, also in 2014, AB InBev went on to acquire the Siping Ginsber Draft Beer Co, in Jilin province in China, for US$620 million. In doing so, the company obtained close to 13% of the Chinese market, placing it in third position in the Chinese market.[21]

The agreement between AB InBev and SABMiller had been the highlight of 2015 – a merger that would result in about 30% market share worldwide, if it succeeded.[22] When SABMiller accepted AB InBev's offer in principle on 13 October 2015, the share price of both companies escalated – SABMiller shares by 8.5% to £39.30, and those of AB InBev by 1.8% to €100. On 11 November 2015, AB InBev announced its formal offer and SABMiller's acceptance thereof, in which it stated that the new group – named Newco for the time being – would list on Euronext Brussels, with secondary listings in Johannesburg, New York and Mexico. At the time, Brito also said that the combined group was expected "to achieve pre-tax cost synergies of at least US$1.4 billion per annum", phased in over four years, in addition to the US$1.05 billion of cost savings already identified by SABMiller.[23]

SABMiller in 2015

SABMiller established itself as Castle Brewery in 1895, and listed on the Johannesburg Stock Exchange (JSE) two years later as The South African Breweries (SAB). In 1950, SAB relocated its headquarters from Johannesburg, South Africa to London, UK, where it obtained a primary listing on the London Stock Exchange (LSE) in 1999, while retaining a secondary listing on the JSE.[24] By 2015, SABMiller operated worldwide in 62 countries: Africa (16); Asia Pacific (seven, including Australia); Europe (25); Latin America (11) and North America (three – Canada, Mexico and the USA). The company had close to 70 000 employees.[25] SABMiller generated US$22 billion in revenues (excluding revenues from joint ventures and subsidiaries) in its financial year ended 31 March 2015.[26] (See **Exhibits 2a, Exhibit 2b, Exhibit 2c,** and **Exhibit 2d**.)

The company produced more than 200 beer brands and was one of Coca-Cola's largest bottlers. SABMiller beers included those classified by the company as "global beers" or "flagship" brands. These included: Grolsch (The Netherlands), Miller Genuine Draft (USA), Peroni Nastro Azzurro (Italy), Pilsner Urquell (Czech Republic) and Tyskie (Poland). Local South African beers included Carling Black Label, Castle Lager, Hansa Pilsener and Peroni.[27]

Business Strategy

From the mid-1960s to the early 1990s, SAB had followed a strategy of growth through diversification by investing in a broad range of markets, not only breweries. However, SABMiller initially focused on acquiring breweries or forming joint ventures in the emerging markets of developing countries, and only started investing in developed countries following its move to London. Unlike AB InBev's centralised manner of operating, SABMiller had a strong decentralised operating system, which in effect meant that it favoured regional independence, and country managers (many of them deployed from South Africa to transfer skills) were encouraged to use their own initiative and judgement.[28] SABMiller had, in the past, always nurtured local beers such as Castle in South Africa and Aguila in Colombia,[29] maintaining "that beer with a local heritage is more likely to appeal to the taste of the inhabitants of that country".[30]

The company had built up a good reputation over the years for its ability to choose its partners carefully and for its competence in handling mergers and acquisitions.[31] This competence came about because SABMiller had built the best mergers and acquisitions team it could, which implemented strict acquisition criteria in potential breweries.[32] After a change in management in 2014, however, SABMiller started to focus more on cost-awareness measures internally, and implemented a new cost-saving programme in which it expected a saving of US$500 million by 2018.[33]

Consolidation History

After the lifting of international sanctions against South Africa in the 1990s, SAB expanded aggressively into developing countries. Although Africa had always been a fundamental element of SAB's growth plans in the 1990s and it continued to invest in African countries, the company also entered Central and Eastern Europe and China during this period. Chief executive at the time, Graham Mackay, recalled: "Post-communist Central European countries were looking for skills, and breweries were being privatised. We were a very small African brewer and knew that we had to get into these countries ahead of the large multinationals to have a competitive advantage."[34]

SAB management kept a close eye on the Chinese economy reforms in the earlier 1990s, as the country's government slowly started to acknowledge the role of the private sector economy. SAB stepped in, in 1994, to acquire a 49% stake in China Resource Snow Breweries. Following that, SAB went on to buy a majority stake in Poland's Lech Brewery[d] in 1995 for US$30 million and, in 1996, purchased four breweries in Romania: Browary Tyskie Górny Slask, as well as the Vultural, Ursus and Pitber breweries. In the same year, it also acquired a controlling interest in the leading brewers in the Czech Republic, Pilsner Urquell and Radegast, for US$630.6 million.[35] Although not a large brewer, Pilsner Urquell, one of Europe's most cherished beer brands, was the brand SAB wanted in its portfolio and planned to distribute outside of the Czech Republic. However, not all went well all the time. In 1998, two months ahead of the Russian financial crisis (also called the ruble crisis)[e], SAB spent around US$100 million to establish itself in the Russian market. The economic conditions led to a 75% currency devaluation. Yet, SAB decided "to weather the crisis" and, in time, the market recovered and the brewery became profitable.[36]

By the late 1990s, SAB held brewing interests in Angola, Ghana, Kenya, Mozambique, Tanzania, Uganda, Zambia and Zimbabwe, and was the largest brewer in Africa. Of note, in this decade of mergers and acquisitions, SAB transformed its business to become mainly a beverage business, having disposed of most of its non-core businesses in areas such as retailing, hotels and gaming, and the manufacturing of safety matches and glass.[37] By 2001, SAB had become the global leader in the brewery industry in developing markets and the fifth largest globally, with 79 breweries in 22 countries and more than 31 000 employees. During the previous five years, the volumes in SAB's international business had steadily increased at 29% a year.[38] In the same year, SAB entered Central America when it acquired the Honduran brewer Cervecería Hondureña, proposing a £200 million (US$284.9 million) share placing; as well as Industrias La Constancia in El Salvador. Also in this decade, the company invested in the African market in a joint venture with the French company, Castel Group.

Since the early 2000s, SAB had been under pressure to move into developed countries, following its headquarters' move to London. Thus, it had to adjust its international growth strategy. To this end, in 2002, SAB shifted its attention from emerging markets to a US global brewer when it bought the Miller Brewing Company for US$5.6 billion and a 64% shareholding (US$3.6 billion in shares and US$2 billion to pay off Miller's debt). Subsequently, SAB became SABMiller and the second

d Kompania Piwowarska S.A. was formed following the merger of Lech Browary Wielkopolski S.A. and Browary Tyskie Górny Slask S.A.

e The Russian financial crisis occurred on 17 August 1998. It resulted in the Russian government and the Russian Central Bank devaluing the ruble and defaulting on its debt. [Source: Chiodo, A.J. and Owyang, M.T. (2002), "A case study of a currency crisis: the Russian default of 1998", Research paper, The Federal Reserve Bank of St Louis, available at: https://research.stlouisfed.org/publications/review/02/11/ChiodoOwyang.pdf (accessed 7 December 2015).]

largest brewer in the world. At the time, SABMiller commented that “the deal will give annual cost synergies of US$50 million by the end of year three”.[39] The company introduced a recovery programme for Miller to operate more efficiently and, within two years, US sales started increasing for the first time in six years, despite strong competition from Anheuser-Busch.[40]

A significant move for SABMiller constituted its first investment in Western Europe in 2003, when it bought a majority stake in the Italian brewer Birra Peroni for €246 million (£176 million).[41] SABMiller identified €9 million of synergies to realise in the second year. By 2005, SABMiller had 96 breweries, 10 bottling plants and operations in more than 40 countries. The company embarked on a three-phase strategy in 2005 to grow its revenue, as it wanted to see short-term rewards from its “strong, established operations in growth markets – South Africa, the rest of Africa, Europe and Central America”. In the medium term, it expected growth from Miller in the USA and Peroni in Italy. For its long-term strategy, the company looked to the developing markets of China and India, and the growing contribution of its international premium brands. In SABMiller’s 2005 annual report, Mackay anticipated a “more modest growth rate [for the following year] than the original plan, as our businesses in South Africa have benefited from the country’s strong economic growth”.[42]

SABMiller acquired Shaw Wallace & Company’s 50% share of its joint venture in India in 2005, and so became India’s second-largest brewer. Although beer consumption in India was less than in other developing markets, at around one litre per person per year, SABMiller recognised the potential for growth in the Indian market. At the time, André Parker, SABMiller’s Africa & Asia managing director, commented: “With a population in excess of 1 billion, and GDP growth of over 6%, India has the economic potential to be a leading global beer market.”[43] Although Latin America had been a key part of SABMiller’s acquisition strategy since 2002, it only materialised in 2005 through the acquisition of Colombia’s Grupo Empresarial Bavaria, for US$8 billion.[44] On a pro forma basis, SABMiller expected the transaction “to be earnings per share accretive, before cost and revenue synergies, for the pro forma financial year ending 31 March 2006”.[45] Thus, that acquisition put SABMiller in a leading market position in South America; and by 2006, SABMiller held second position at 11.8% in the global beer market, behind InBev (13.9%) and just ahead of Anheuser-Busch (11.5%).[46]

SABMiller made an important acquisition in 2007 when it acquired the Dutch brewery Koninklijke Grolsch N.V. (Royal Grolsch), at a price of €816 million (US$1.2 billion; £583 million). At the time, SABMiller reported that the main driver behind the acquisition had been the additional brand, which it found attractive as it constituted a perfect fit to its existing portfolio.[47] However, the acquisition coincided with the global financial crisis of 2007/08, and analysis by data analytics expert, Scott Allen Mongeau, two years later suggested that SABMiller might have overpaid for Grolsch.[48]

During the global economic downturn, SABMiller, then still in second position in the US market, merged its Miller Brewing Company with the US business Molson Coors (number three in the USA) in 2008 to create MillerCoors – and, in doing so, increased its share in the US market to 58%. This move had been to shield it against its rival Anheuser-Busch, which still retained the number one position in the USA. The transaction would grow SABMiller substantially, and estimated cost savings would result from streamlining production, reducing shipping distances and eliminating duplication in marketing and corporate functions. The companies estimated that the joint venture would have US$6.6 billion in annual sales and eventually result in US$500 million in annual cost savings.[49] By mid-2008, SABMiller had breweries and beverage interests in 31 African countries, and had an overall presence in 60 countries on six continents. Its strategy for emerging markets included operating in a responsible and accountable way to benefit not only itself, but also to uplift local communities through development.[50]

SABMiller's global operations had expanded to 75 countries on six continents by 2010, and comprised 92 breweries and 43 bottling plants. Given the global economic downturn, beer consumption had increased by less than 1% in 2009 – and this affected SABMiller's bottom line. In its annual report of 2010, SABMiller reported that the economic crisis had caused an overall downturn in 2009, which had been "further exacerbated by government fiscal pressures leading to increases in beer excise and other taxation in order to raise funds".[51]

A major SABMiller's acquisition came about in 2011, when it bought Carlton United Breweries (the makers of Foster's Lager) in Australia for A$11.8 billion. This acquisition formed part of its strategy of creating a global spread of businesses to add to its operations in the emerging markets, which had been leading the recovery of the beer market worldwide. However, there had been scepticism in the market about the transaction, given Australia's mature alcohol market. Nonetheless, SABMiller projected cost synergies of A$180 million by year four from the transaction.[52] In the same year, SABMiller and Anadolu Efes concluded a strategic alliance, with SABMiller's Russian and Ukrainian beer businesses contributing to Anadolu Efes, in exchange for a 24% equity share in the combined Anadolu Efes Group. This alliance would cover Turkey, Russia, the former Soviet states that made up the Commonwealth of Independent States (CIS), Central Asia and the Middle East. [53]

SABMiller made an unsuccessful attempt to buy a controlling share in the Dutch brewer Heineken International in September 2014. Analysts speculated that it was likely that SABMiller's strategy had been to protect itself from a potential AB InBev takeover.[54] Back in Africa, the 2014 agreement in which SABMiller, The Coca-Cola Company and Gutsche Family Investments combined bottling operations of their non-alcoholic beverages businesses in southern and East Africa created a new bottler, called Coca-Cola Beverages Africa. SABMiller held a 57% shareholding in the venture. This agreement was in line with the company's growth strategy of being able to offer non-alcoholic drinks in Muslim regions.[55]

Perceived Effects of the Merger

Although AB InBev had increased its revenue significantly in the last 10 years with the help of US$91 billion worth of acquisitions, analysts at Bloomberg had projected back in 2014 that the company's growth would slow down from 2014 to 2024 – which, in part, explained its interest in SABMiller.[56] The merged group would have an estimated market value of around US$275 billion at 2015 prices.[57]

Future of Newco

On the one hand, benefits of the merger would probably not show soon, given the significant financial outlay to acquire SABMiller – even for AB InBev, with its reputation for doing successful acquisitions. On the other hand, Newco could save costs through its combined distribution operations.

What would Newco's financials eventually reveal?

Exhibit 1a AB InBev Consolidated Income Statement for the Year Ended 31 December 2014

	2014	2013
Revenue	**47 063**	**43 195**
Cost of sales	(18 756)	(17 594)
Gross profit	**28 307**	**25 601**
Distribution expenses	(4 558)	(4 061)
Sales and marketing expenses	(7 036)	(5 958)
Administrative expenses	(2 791)	(2 539)
Other operating income (expenses)	1 386	1 160
Profit from operations before non-recurring items	**15 308**	**14 203**
Restructuring (including impairment losses)	(277)	(118)
Business and asset disposal (including impairment losses)	157	30
Acquisition costs business combinations	(77)	(82)
Fair value adjustments	-	6 410
Profit from operations	**15 111**	**20 443**
Finance cost	(2 797)	(3 047)
Finance income	969	561
Non-recurring net finance cost	509	283
Net finance cost	**(1 319)**	**(2 203)**
Share of result of associates	9	294
Profit before tax	13 801	18 534
Income tax expense	(2 499)	(2 016)
Profit	**11 302**	**16 518**
Attributable to:		
Equity holders of AB InBev	9 216	14 394
Non-controlling interest	2 086	2 124
Basic earnings per share	5.64	8.90
Diluted earnings per share	5.54	8.72
Basic earnings per share before non-recurring items [1]	5.43	4.91
Diluted earnings per share before non-recurring items [1]	5.32	4.81
Other comprehensive income: items that will not be reclassified to profit or loss:		
Re-measurements of post-employment benefits	(491)	503
Other comprehensive income: items that may be reclassified subsequently to profit or loss		
Translation reserves (gains/losses)		
Exchange differences on translation of foreign operations	(4 793)	(3 500)
Effective portion of changes in fair value of net investment hedges	33	(66)
Cash flow hedges		
Recognized in equity	314	579
Removed from equity and included in profit or loss	(190)	(36)
Share of other comprehensive results of associates	-	(67)
	(4 636)	(3 090)
Other comprehensive income, net of tax	**(5 127)**	**(2 587)**
Total comprehensive income	**6 175**	**13 931**
Attributable to:		
Equity holders of AB InBev	4 465	12 285
Non-controlling interest	1 710	1 646

Exhibit 1b AB InBev Consolidated Statement of Financial Position for the Year Ended 31 December 2014

Consolidated statement of financial position

As at **Million US dollar**	**2014**	**2013**
Assets		
Non-current assets		
Property, plant and equipment	20 263	20 889
Goodwill	70 758	69 927
Intangible assets	29 923	29 338
Investments in associates	110	187
Investment securities	118	193
Deferred tax assets	1 058	1 180
Employee benefits	10	10
Trade and other receivables	1 769	1252
	124 009	**122 976**
Current assets		
Investment securities	301	123
Inventories	2 974	2 950
Income tax receivable	359	332
Trade and other receivables	6 449	5 362
Cash and cash equivalents	8 357	9 839
Assets held for sale	101	84
	18 541	**18 690**
Total assets	**142 550**	**141 666**
Equity and liabilities		
Equity		
Issued capital	1 736	1 735
Share premium	17 620	17 608
Reserves	(4 558)	18
Retained earnings	35 174	31 004
Equity attributable to equity holders of AB Inbev	**49 972**	**50 365**
Non-controlling interest	4 285	4 943
	54 257	55 308
Non-current liabilities		
Interest-bearing loan and borrowings	43 630	41 274
Employee benefits	3 050	2 862
Deferred tax liabilities	12 701	12 841
Trade and other payables	1 070	3 222
Provisions	634	532
	61 085	**60 731**
Current liabilities		
Bank overdrafts	41	6
Interest-bearing loans and borrowings	7 451	7 846
Income tax payable	629	1105
Trade and other payables	18 922	16 474
Provisions	165	196
	27 208	**25 627**
Total equity and liabilities	**142 550**	**141 666**

Source: AB InBev (2014), "AB InBev Annual Report 2014", available at: www.ab-inbev.com/media/annual-report.html (accessed 9 October 2015).

Exhibit 1c AB InBev Consolidated Cash Flow Statement for the Year Ended 31 December 2014

Consolidated cash flow statement **For the year ended 31 December** **Million US dollar**	**2014**	**2013**
Operating activities		
Profit	11 302	16 518
Depreciation, amortization and impairment	3 353	2 985
Impairment losses on receivables, inventories and other assets	108	91
Additions/(reversals) in provisions and employee benefits	(85)	109
Net finance cost	1 319	2 203
Loss/(gain) on sale of property, plant and equipment and intangible assets	4	(25)
Loss/(gain) on sale of subsidiaries, associates and assets held for sale	(219)	(85)
Revaluation of initial investment in Grupo Modelo	-	(6 415)
Equity-settled share-based payment expense	249	240
Income tax expense	2 499	2 016
Other non-cash items included in the profit	(190)	(105)
Share of result of associates	(9)	(294)
Cash flow from operating activities before changes in working capital and use of provisions	**18 331**	**17 238**
Decrease/(increase) in trade and other receivables	(371)	(25)
Decrease/(increase) in inventories	(354)	(129)
Increase/(decrease) in trade and other payables	1 540	1 020
Pension contributions and use of provisions	(458)	(653)
Cash generated from operations	**18 688**	**17 451**
Interest paid	(2 476)	(2 214)
Interest received	273	297
Dividends received	30	606
Income tax paid	(2 371)	(2 276)
Income tax paid	(2 371)	(2 276)
Cash flow from operating activities	**14 144**	**13 684**
Investing activities		
Proceeds from sale of property, plant and equipment and of intangible assets	273	257
Sale of subsidiaries, net of cash disposed of	426	42
Acquisition of subsidiaries, net of cash acquired	(7 126)	(17 439)
Purchase of non-controlling interest	(92)	(99)
Acquisition of property, plant and equipment and of intangible assets	(4 395)	(3 869)
Net of tax proceeds from the sale of assets held for sale	(65)	4 002
Net proceeds from sale/(acquisition) of investment in short-term debt securities	(187)	6 707
Net proceeds from sale/(acquisition) of other assets	15	(13)
Net repayments/(payments) of loans granted	(1)	131
Cash flow from investing activities	**(11 152)**	**(10 281)**
Financing activities		
Net proceeds from the issue of share capital	83	73
Proceeds from borrowings	18 382	22 464
Payments on borrowings	(15 159)	(18 006)
Cash received for deferred shares instrument	-	1 500
Cash net finance (cost)/income other than interests	239	563
Dividends paid	(7 400)	(6 253)
Cash flow from financing activities	(3 855)	341
Net increase/(decrease) in cash and cash equivalents	(863)	3 924
Cash and cash equivalents less bank overdrafts at beginning of year	9 833	7 051
Effect of exchange rate fluctuations	(654)	(1 142)
Cash and cash equivalents less bank overdrafts at end of period	**8 316**	**9 833**

Source: AB InBev (2014), "AB InBev Annual Report 2014", available at: www.ab-inbev.com/media/annual-report.html (accessed 9 October 2015).

Exhibit 1d AB InBev Key Financial Ratios: 2005–2014

Financials	2005-12	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	TTM
Revenue USD mil	13 805	17 564	21 039	23 507	36 758	36 297	39 046	39 758	43 195	47 063	45 762
Gross margin %	56.4	58.8	58.9	56.0	53.2	55.5	57.4	58.6	59.3	60.1	60.1
Operating margin %	18.9	23.5	29.8	22.7	31.5	30.0	31.6	32.0	47.3	32.1	32.0
Net income USD mil	1 661	2 806	4 444	1 927	4 613	4 026	5 855	7 243	14 394	9 216	9 636
Earnings per share USD	1.78	3.04	5.23	1.93	2.90	2.50	3.63	4.45	8.72	5.54	5.77
Dividends USD	—	—	—	—	—	0.49	1.18	1.57	3.03	3.25	3.49
Payout ratio %	—	—	—	—	—	19.8	38.3	35.4	26.6	51.4	60.5
Shares mil	603	613	613	1 000	1 593	1 611	1 614	1 628	1 650	1 665	1 669
Book value per share USD	—	—	—	—	18.90	21.97	22.88	25.61	29.54	32.58	29.54
Operating cash flow USD mil	2 708	4 338	5 925	6 158	9 124	9 905	12 486	13 268	13 864	14 144	14 137
Cap spending USD mil	-1 399	-1 821	-2 305	-2 652	-1 713	-2 344	-3 376	-3 264	-3 869	-4 395	-4 401
Free cash flow USD mil	1 309	2 517	3 620	3 506	7 411	7 561	9 110	10 004	9 995	9 749	9 736
Free cash flow per share USD	—	—	—	—	4.65	4.69	4.46	6.15	5.44	6.38	—
Working capital USD mil	-1 097	-1 472	-1 671	-13 064	-3 401	-3 123	-7 321	222	-6 937	-8 667	—
Tax rate %	21.81	19.98	17.55	17.74	23.31	24.99	18.91	15.40	10.88	18.11	18.00
Net margin %	7.76	10.60	15.23	8.20	12.55	11.09	15.00	18.22	33.32	19.58	21.06
Return on assets %	4.03	5.95	8.38	2.49	4.09	3.55	5.16	6.16	10.89	6.49	6.69
Financial leverage (average)	2.05	2.14	2.11	5.04	3.71	3.24	3.00	2.98	2.81	2.85	2.91
Return on equity %	8.20	12.51	17.78	9.11	17.49	12.28	16.10	18.42	31.46	18.37	19.29
Return on invested capital %	6.22	11.29	15.57	5.30	9.74	8.34	10.49	11.17	17.69	10.52	10.51
Interest coverage	—	5.16	6.19	3.01	2.56	2.80	3.75	5.37	7.08	8.01	8.57

Source: Morningstar (n.d.), “Anheuser-Busch Inbev SA ADR BUD”, available at: http://financials.morningstar.com/ratios/r.html?t=BUD (accessed 18 November 2015).

Exhibit 2a SABMiller: Consolidated Income Statement for the Year Ended 31 March 2015

	2015 US$m	2014 US$m
Revenue	**22 130**	22 311
Net operating expenses	**(17 746)**	(18 069)
Operating profit	**4 384**	4 242
Operating profit before exceptional terms	**4 459**	4 439
Exceptional terms	**(76)**	(197)
Net finance costs	**(637)**	(645)
Finance costs	**(1 047)**	(1 055)
Finance income	**410**	410
Share of post-tax results of associates and joint ventures	**1 083**	1 226
Profit before taxation	**4 830**	4 823
Taxation	**(1 273)**	(1 173)
Profit for the year	**3 557**	3 650
Profit attributable to non-controlling interests	**258**	269
Profit attributable to owners of the parent	**3 299**	3 381
	3 557	3 650
Basic earnings per share (US cents)	**205.7**	211.8
Diluted earnings per share (US cents)	**203.5**	209.1

Source: SABMiller (2015), “SABMiller Annual Report 2015”, available at: www.sabmiller.com/investors/reports (accessed 28 September 2015).

Exhibit 2b   SABMiller: Consolidated Balance Sheet for the Year Ended 31 March 2015

	2015 US$m	2014 US$m
Assets		
Non-current assets		
Goodwill & other intangible assets	**21,624**	27,029
Property, plant and equipment	**7 961**	9 085
Investments in joint ventures & associates	**9,887**	11,368
Others	**1,080**	**884**
	40 552	48 366
Current assets		
Inventories	**1 030**	1 168
Trade and other receivables	**1 711**	1 821
Current tax assets	**190**	174
Derivative financial instruments	**463**	141
Cash and cash equivalents	**965**	2 081
	4 359	5 385
Total assets	**44 911**	53 751
Liabilities		
Current liabilities		
Derivative financial instruments	**(101)**	(78)
Borrowings	**(1 961)**	(4 519)
Trade and other payables	**(3 728)**	(3 847)
Current tax liabilities	**(1 184)**	(1 106)
Provisions	**(358)**	(450)
	(7 332)	(10 000)
Non-current liabilities		
Derivative financial instruments	**(10)**	(37)
Borrowings	**(10 583)**	(12 528)
Trade and other payables	**(18)**	(25)
Deferred tax liabilities	**(2 275)**	(3 246)
Provisions	**(338)**	(433)
	(13 224)	(16 269)
Total liabilities	**(20 556)**	(26 269)
Net assets	**24 355**	27 482
Equity		
Share capital	**168**	167
Share premium	**6 752**	6 648

Merger relief reserve	**3 963**	4 321
Other reserves	**(5 457)**	(702)
Retained earnings	**17 746**	15 885
Total shareholders' equity	**23 172**	26 319
Non-controlling interests	**1 183**	1 163
Total equity	**24 355**	27 482

Source: SABMiller (2015), "SABMiller Annual Report 2015", available at: www.sabmiller.com/investors/reports (accessed 28 September 2015).

Exhibit 2c SABMiller: Consolidated Cash Flow Statement for the Year Ended 31 March 2015

	2015 US$m	2014 US$m
Cash flows from operating activities		
Cash generated from operations	**5 812**	5 770
Interest received	**352**	365
Interest paid	**(1 003)**	(1 108)
Tax paid	**(1 439)**	(1 596)
Net cash generated from operating activities	**3 722**	3 431
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1 394)**	(1 401)
Proceeds from sale of property, plant and equipment	**68**	70
Purchase of intangible assets	**(177)**	(85)
Proceeds from disposal of associates	**979**	-
Proceeds from disposal of businesses (net of cash disposed)	**-**	88
Acquisition of businesses (net of cash acquired)	**(5)**	(39)
Investments in joint ventures and associates	**(219)**	(387)
Dividends received from joint ventures, associates and other investments	**1407**	1,128
Net cash generated from/(used in) investing activities	**659**	(626)
Cash flows from financing activities		
Proceeds from the issue of shares	**231**	108
Purchase of own shares for share trusts	**(146)**	(79)
Purchase of shares from non-controlling interest	**(3)**	(5)
Proceeds from borrowings	**594**	2 585
Repayment of borrowings	**(4 413)**	(3829)
Capital element of finance lease payments	**(10)**	(9)
Net cash receipts on derivative financial instruments	**243**	228
Dividends paid to shareholders of the parent	**(1 705)**	(1 604)
Dividends paid to non-controlling interests	**(173)**	(194)
Net cash used in financing activities	**(5 382)**	(2,799)
Net cash outflow from operating, investing and financing activities	**(1 001)**	6
Effects of exchange rate changes	**(115)**	(61)
Cash decrease in cash and cash equivalents	**(1 116)**	(55)
Cash and cash equivalent at 1 April	**2,081**	1 959
Cash and cash equivalent at 31 March	**965**	1 904

Source: SABMiller (2015), "SABMiller Annual Report 2015", available at: www.sabmiller.com/investors/reports (accessed 28 September 2015).

Exhibit 2d SABMiller Key Financial Ratios: 2005–2014

Financials	2006-03	2007-03	2008-03	2009-03	2010-03	2011-03	2012-03	2013-03	2014-03	2015-03	TTM
Revenue USD mil	15 307	18 620	21 410	18 703	18 020	19 408	21 760	23 213	16 704	22 130	20 754
Gross margin %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	71.8	79.7	—
Operating margin %	16.8	16.3	16.1	16.8	14.5	16.1	23.0	18.1	25.4	19.8	18.5
Net income USD mil	1 440	1 649	2 023	1 881	1 910	2 408	4 221	3 274	3 381	3 299	2 965
Earnings per share USD	1.04	1.10	1.34	1.25	1.22	1.52	2.64	2.04	2.09	2.04	1.83
Dividends USD	0.35	0.42	0.47	0.55	0.54	0.69	0.79	0.91	0.99	1.00	1.10
Pay-out ratio %	33.1	39.2	35.1	44.2	44.2	45.7	47.2	31.8	46.6	44.3	60.4
Shares mil	1 381	1 505	1 508	1 510	1 564	1 586	1 600	1 609	1 617	1 621	1 622
Book value per share USD	8.71	8.78	11.65	10.20	12.58	13.87	13.57	15.80	15.76	16.11	13.37
Operating cash flow USD mil	2 032	2 498	2 577	1 908	3 050	2 775	3 382	4 101	3 431	3 722	3 576
Cap spending USD mil	-1 032	-1 461	-2 037	-2 147	-1 528	-1 315	-1 639	-1 479	-1 485	-1 572	-1 458
Free cash flow USD mil	1 000	1 037	540	-239	1 522	1 460	1 743	2 622	1 946	2 150	2 118
Free cash flow per share USD	0.72	0.95	0.36	-0.16	0.97	0.92	1.07	1.25	1.19	1.41	—
Working capital USD mil	-2 036	-2 123	-2 122	-1 873	-2 083	-1 774	-2 048	-2 820	-4 615	-2 973	—
Tax rate %	31.76	32.85	29.90	27.08	28.95	29.48	20.10	25.49	24.32	26.36	25.70
Net margin %	9.41	8.86	9.45	10.06	10.60	12.41	19.40	14.10	20.24	14.91	14.29
Asset turnover (average)	0.72	0.67	0.66	0.55	0.52	0.51	0.46	0.41	0.30	0.45	0.44
Return on assets %	6.73	5.91	6.24	5.56	5.53	6.29	8.91	5.85	6.14	6.69	6.24
Financial leverage (average)	2.08	1.99	2.06	2.06	1.88	1.78	2.22	2.13	2.04	1.94	1.95
Return on equity %	13.64	12.02	12.66	11.43	10.83	11.49	17.93	12.73	12.83	13.33	12.43
Return on invested capital %	10.14	9.20	9.69	9.04	8.32	9.58	12.86	8.55	8.72	8.99	8.27
Interest coverage	8.01	5.54	6.69	4.21	4.81	6.22	8.09	5.22	5.91	8.45	9.87

Source: Morningstar (n.d.), "SABMiller PLC ADR SBMRY", available at: http://financials.morningstar.com/ratios/r.html?t=SBMRY (accessed 18 November 2015).

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