



Anheuser-Busch InBev SA/NV (BUD)

Updated March 17th, 2023 by Prakash Kolli

Key Metrics

Current Price:	\$60	5 Year CAGR Estimate:	5.6%	Market Cap:	\$120.11B
Fair Value Price:	\$66	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	05/03/23
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	1.8%	Dividend Payment Date:	06/02/23
Dividend Yield:	0.9%	5 Year Price Target	\$76	Years Of Dividend Growth:	N/A
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Anheuser-Busch InBev SA/NV is the largest brewer in the world. The company was formed in 2008 by the merger of InBev and Anheuser-Busch and is majority owned by 3G Capital. The company acquired SABMiller in 2016, sold Carleton (Australian unit) in 2019, and acquired Craft Brew Alliance in 2020. AB InBev owns about 61.8% of Ambev S.A. Today, AB InBev produces, markets, and sells over 500 different beer brands around the world. The company has seven of the top ten beer brands and 18 brands with over \$1B in sales. Major global brands include Budweiser, Stella Artois, and Corona. Large regional brands include Aguila, Hoegaarden, Skol, and Brahma. The company has ~70% market share in Brazil and ~50% market share in the U.S. In 2022, revenue was ~\$57.8B. The company trades as an ADR on the NYSE.

AB InBev reported Q4 2022 and full-year results on March 2nd, 2023. For the quarter, companywide revenue rose 10.2% to \$14,668M from \$14,198M as total volumes fell (-0.6%) and revenue per hl was up 11.2%. Total volumes fell (-0.6%) with own beer volumes down (-0.9%) and non-beer volumes grew +1.9%. Volumes were up in the Middle Americas (+0.9%), South America (+3.1%), and EMEA (+0.1%), but declined in Asia Pacific (-2.3%) and North America (-8.3%). Outside of their home markets, the three global brands performed well with combined revenues increasing 6.6%. Normalized earnings per share increased to \$0.98 from \$0.90 in comparable periods, while underlying EPS rose to \$0.86 from \$0.74 (accounting for adjustments). For the year, revenue grew by 11.2% led by the three global brands at +8.9% with Budweiser (+2.5%), Stella Artois (+11.7%), and Corona (+18.6%)

AB InBev's strategy of premiumization is being led by its three global brands. Premium brands continue to grow and are more profitable per hl. A second focus is Beyond Beer, which is the intersection of beer, spirits, and wine. The category is growing at 45% CAGR and will be a \$58B market by 2024. Beyond Beer is more profitable per hl than beer. The company's BEES digital platform for B2B has grown to 3.1 million users. The company has stated that deleveraging is a priority until a leverage ratio of 2X is attained, but AB InBev remains far from this goal with a current ratio of ~3.51X.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$4.81	\$5.54	\$4.96	\$0.72	\$3.15	\$2.17	\$4.62	\$0.70	\$2.33	\$2.97	\$3.28	\$3.80
DPS	\$3.03	\$3.24	\$3.95	\$4.00	\$4.08	\$3.30	\$2.01	\$0.57	\$0.60	\$0.53	\$0.53	\$0.53
Shares¹	1,608	1,608	1,608	2,019	2,019	2,019	2,019	1,972	1,975	1,975	1,975	1,975

AB InBev's earnings per share history is volatile given that it often made acquisitions and divestures. Top line growth will likely be low-to-mid single-digits coming from geographic expansion of brands, premiumization, innovation, acquisitions, and direct-to-consumer solutions. The company continues to take brands that are successful in their home markets and distribute them to customers across the world. Demand was negatively impacted during COVID-19 and EPS in 2020 was affected by impairment charges of \$2.5B and lower volumes. However, volumes have recovered. The company's dividend is now paid once per year. The company has prioritized reaching its net debt-to-EBITDA ratio goal over dividend payments. Despite the low payout ratio, we view it as unlikely that the dividend will be raised until leverage is reduced.

¹ Share count in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	20.0	19.6	24.2	---	36.2	44.0	18.5	--	27.8	20.3	18.3	20.0
Avg. Yld.	3.1%	3.0%	3.3%	3.3%	3.6%	3.5%	2.4%	1.1%	0.9%	0.7%	0.9%	0.7%

AB InBev's stock price is up slightly since our last report. Sales, volumes, and earnings are rising. We set our earnings estimate at consensus for 2023. Our estimated fair value multiple is 20X, accounting for global economic uncertainty, inflation, and foreign exchange headwinds. Our fair value estimate is \$66. Our 5-year price target is \$76.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	63%	58%	80%	55%	130%	152%	44%	81%	26%	18%	16%	14%

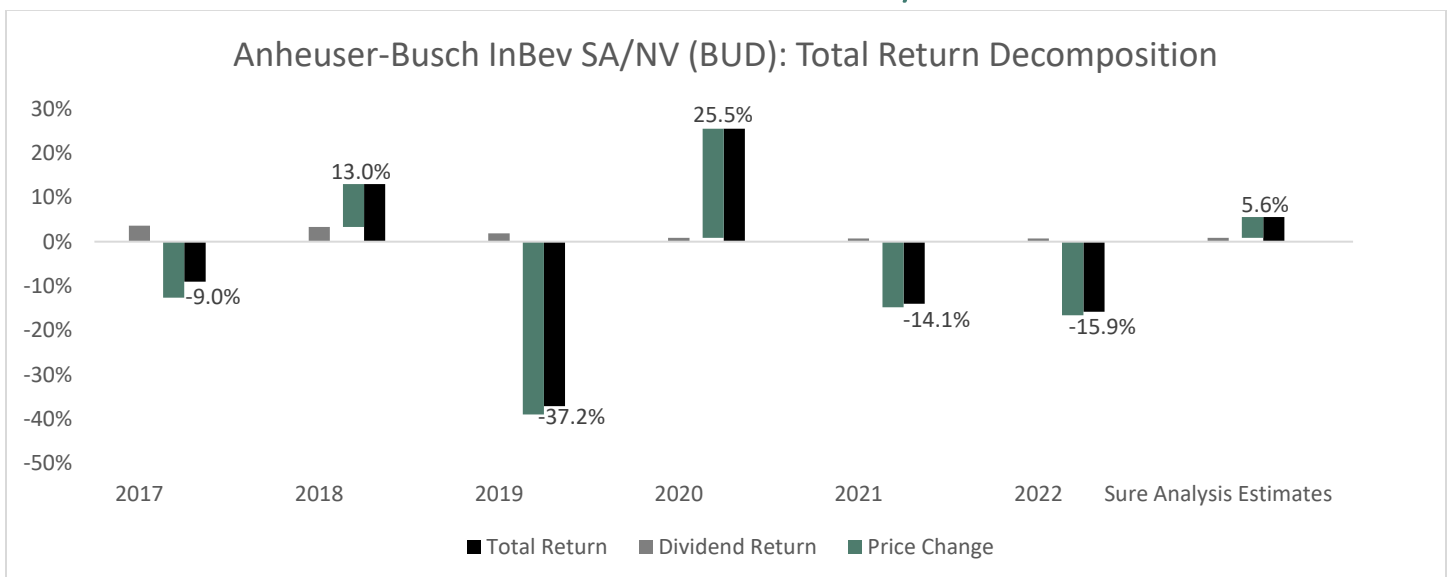
AB InBev's competitive advantages are its global brands and supply chain that gives the company unmatched reach and capacity in the world. The brewer owns seven of the top 10 most valuable beer brands. AB InBev is also successfully leveraging its direct-to-consumer technology platforms of BEES, Ze Delivery, TaDA, and Perfect Draft to transition to digital solutions. The company faces risks in commodity pricing and foreign exchange due to its global footprint. The company is not recession resistant as alcoholic beverages are largely a consumer discretionary purchase.

AB InBev is highly leveraged with net debt of about \$79.9B at end of Q4 2022, which is down from \$122.6B at end of 2016. The company has about \$10.07B of cash and \$10.1B in an undrawn credit facility. The leverage ratio is elevated at ~3.5X compared to a target ratio of around 2.0X. The company improved the debt maturity profile during COVID-19.

Final Thoughts & Recommendation

At present, we expect total annualized returns of 5.6% for the next five years from a dividend yield of 0.9%, 3.0% EPS growth, and 1.8% P/E multiple expansion. AB InBev's momentum has slowed as consumers step back from discretionary purchases. Also, inflation is affecting commodity and supply chain costs. Debt is lower each year, but leverage is still very high. The current yield is low, and the focus of capital allocation is growth, deleveraging, selective M&A, and then returning cash to shareholders. At the current price, we rate this stock a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	43195	47063	43064	45517	56444	54619	52329	46881	54304	57786
Gross Profit	25601	28307	25927	27714	35058	34260	31967	27247	31207	31481
Gross Margin	59.3%	60.1%	60.2%	60.9%	62.1%	62.7%	61.1%	58.1%	57.5%	54.5%
SG&A Exp.	12558	14385	13732	15171	18099	17118	16421	15369	17575	17555
D&A Exp.	2985	3353	3153	3477	4276	4260	4657	4829	5052	5078
Operating Profit	14124	15269	13146	13168	17591	17402	16169	12185	14146	14264
Op. Margin	32.7%	32.4%	30.5%	28.9%	31.2%	31.9%	30.9%	26.0%	26.0%	24.7%
Net Profit	14394	9218	7732	1240	7995	4370	9171	1405	4670	5969
Net Margin	33.3%	19.6%	18.0%	2.7%	14.2%	8.0%	17.5%	3.0%	8.6%	10.3%
Free Cash Flow	9995	9749	9372	5131	10689	9577	8222	7110	9159	8138
Income Tax	2016	2499	2594	1613	1920	2839	2786	1932	2350	1928

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets (\$B)	141.67	142.55	134.64	258.38	246.13	232.10	236.65	226.41	217.63	212.94
Cash & Equivalents	9839	8357	6923	8579	10472	7074	7238	15252	12019	9973
Acc. Receivable	2935	3363	3241	4562	4752	4412	4046	3284	3465	3637
Inventories	2872	2888	2759	3824	4018	4111	4322	4391	5284	6525
Goodwill/Int. (\$B)	99.26	100.68	94.74	181.10	186.81	178.14	170.57	162.50	156.23	153.22
Total Liab. (\$B)	86.36	88.29	88.92	176.96	165.91	160.20	152.10	148.06	138.29	128.67
Accounts Payable	9834	10913	11616	14071	15240	15512	15876	15898	17810	18589
LT Debt (\$B)	48.99	50.99	49.34	122.51	116.29	109.71	101.02	96.33	86.50	77.50
Total Equity	50365	49972	42137	71339	72585	64486	75722	68024	68669	73398
LTD/E Ratio	0.97	1.02	1.17	1.72	1.60	1.70	1.33	1.42	1.26	1.06

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	10.9%	6.5%	5.6%	0.6%	3.2%	1.8%	3.9%	0.6%	2.1%	2.8%
Return on Equity	31.5%	18.4%	16.8%	2.2%	11.1%	6.4%	13.1%	2.0%	6.8%	8.4%
ROIC	14.8%	8.8%	7.7%	0.8%	4.0%	2.3%	5.0%	0.8%	2.7%	3.6%
Shares Out.	1,608	1,608	1,608	2,019	2,019	2,019	2,026	2,037	2,045	2,050
Revenue/Share	26.18	28.27	25.82	25.94	28.08	27.16	25.83	23.01	26.55	28.19
FCF/Share	6.06	5.86	5.62	2.92	5.32	4.76	4.06	3.49	4.48	3.97

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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