INTUITION

20 MARCH 2026

“0.0.” reasons to drink Heineken.

“Less is more” more or less sums up the beer industry’s full-year 2025 results. Although AB InBev still produces one in every three beers sold globally, consumers, especially Gen Z, are increasingly prioritising health and wellness, leading to lower alcohol consumption. This article examines key sector trends with a focus on Heineken, the world’s second-largest brewer. Heineken has responded to declining volumes more rapidly, especially via its innovative, non-alcohol brands like Heineken 0.0. With the FIFA World Cup approaching, Heineken is well place to capitalise, supported by its strong premium brands and substantial exposure to emerging markets, both important long-term drivers of future growth.

SPEED READ

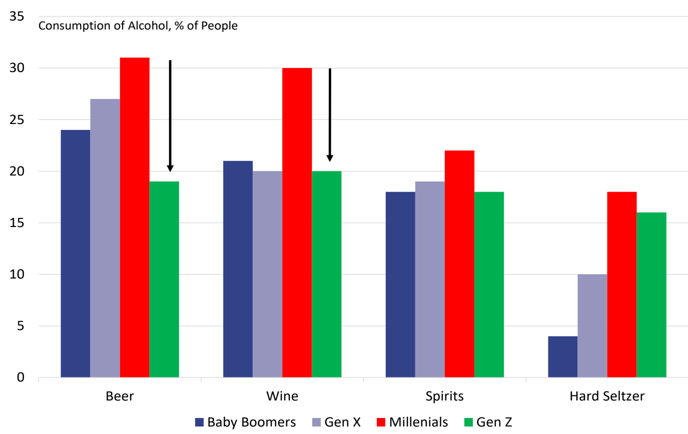
- **Post Covid-19, health & wellness have become major trends which have accelerated the decline in annual global beer volumes as Gen Z, in particular, embrace sobriety.**
- **Heineken 0.0. is the largest global zero-alcohol brand.**
- **In 2025, 53% of sales and 60% of operating profit was generated in Emerging Markets.**
- **Heineken’s “EverGreen” strategy aims to accelerate growth in markets such as Vietnam, Mexico, Brazil, South Africa, and India as Chinese and US volumes continue to decline.**
- **The Heineken brand usually sells at a 30-50% premium to standard beers whilst most of its International premium brands enjoy #1 or #2 positions in their respective countries.**
- **With a new CEO set to be announced, the share remains at a discount to its peers and despite the challenging 1st half macro environment, the FIFA World cup may provide a much-needed catalyst and give the world a reason to cheer.**

Nick Rogers

In 1864, Gerhard Adriaan Heineken bought “De Hooiberg”, a small Amsterdam brewery. Heineken became the first imported beer available in the US when Prohibition ended - the first step in expanding its global footprint. From the very beginning, the company embraced a pioneering spirit to drive innovation. Whilst Louis Pasteur is famous for Pasteurisation, he also demonstrated that yeast was responsible for fermentation to produce alcohol from sugar. In 1886, one of his ex-students, Dr Elion, brought advanced, scientific, and microbiological methods to the company, developing the “A-yeast,” which remains the core ingredient for the signature, consistent taste of Heineken beer. Today, Heineken sells a diverse portfolio of brands including Sol, Kingfisher, Savanna cider and Amstel. The company operates over 165 breweries located in 70 countries, selling +340 international and local brands across 190 countries. Heineken is recognized as the world’s most international brewer, the #1 European brewer and the second-largest brewer globally by volume (AB InBev is #1).

In 2018, I attended the JP Morgan Global Consumer conference. It was strange being offered a beer at 8am but the Heineken representative insisted it was legal. It turned out to be the company’s latest innovation, Heineken 0.0. It tasted great but I wondered how this might go down at a braai back home. How wrong I was. Eight years later Heineken 0.0. has become the #1 global non-alcoholic

ALCOHOL CONSUMPTION BY GENERATION



This chart illustrates the structural decline in regular alcohol consumption in the US. Only 18-20% of Americans under 28 years old said they regularly drank beer, wine or spirits.

brand. The main reason has turned out to be a vast change in behaviour when one compares one generation's relationship with alcohol to another. Heineken collaborated with Oxford University in a survey of people over the legal drinking age to age 75 across the UK, USA, Spain, Japan and Brazil. Despite the increased acceptance of low and non-alcoholic beverages, certain demographics reported heightened societal pressure when choosing alcohol-free options. For instance, 21% of Gen Z often conceal their non-alcoholic beers whilst 38% of Gen Z men would choose to drink non-alcoholic drinks only if their friends do too and 29% felt they always had to justify their choice. Across the survey, 51% of people ended up drinking alcohol when they said they wouldn't (peer pressure).

"For generations, alcohol has played a central role in the way humans socialise, therefore dominant assumptions and stereotypes surrounding our drinking habits remain deeply ingrained in society. Our study has uncovered some fascinating insights into evolving societal attitudes towards alcohol. For many, alcohol is no longer the default in social situations – we're seeing a shift towards more mindful consumption" (Prof. Charles Spence, Oxford). Heineken currently sponsors four-times world racing champion, Max Verstappen, in its F1 "When You Drive, Never Drink" campaign. Heineken offers an astounding 245 zero-alcohol products including SA's Savanna 0.0. Markets representing over 90% of Group volume now offer a zero-alcohol option for at least one strategic brand, illustrating Heineken's ability to adapt to a changing world.

As society drinks less, the global brewers are relying more and more on pricing and providing alternatives to mitigate the drop in volumes. This story sounds familiar. The tobacco industry has faced volume declines for many decades and relies heavily on pricing and new generation products like vapes, to mitigate. Post-Covid-19, health and wellness have become major trends. Heineken's low-calorie "Silver" (95 Calories) has enjoyed huge success whilst the company has just released Heineken 0.0. Ultimate which contains ZERO calories, ZERO alcohol and ZERO sugar. How does Heineken implement higher prices? Fortunately, Heineken has focused on Premiumisation (higher quality) for a long time. Premium beer has grown over 2x faster than mainstream beer over the last twenty years. The actual Heineken brand, accounting for over 15% of FY2025 volumes and 30% of profit, usually sells at a 30-50% premium to standard beers illustrating the power of premiumisation.

With declining volumes in the US and Europe set to continue, the company has pivoted heavily towards Emerging Markets as a key driver for future growth. In 2025, 53% of sales and 60% of operating profit was derived from Emerging Markets. The company has just acquired FIFCO (an existing partner) which significantly strengthens its presence in Central America. The acquisition is expected to be margin enhancing and add between 2-3% to earnings per share in 2026. The chart on beer volumes shows the stark contrast in growth between Developed and Emerging markets (bar China). As incomes rise in a country like India, consumers will reach a point where their wages per hour will justify switching from a cheap local brand to a premium brand like Heineken's Kingfisher (#1 beer brand in India). Aspiration is a primary driver of premiumisation, and EM is where the growth in "affordable luxury" offers the highest growth. On a 2019 township tour of Soweto, I witnessed a social grant recipient (with a few side-hustles to earn extra income), open his fridge to reveal a six-pack of Heineken. His answer was simple. He didn't mind about the volume/cost versus a Black Label quart, he enjoyed the premium taste but most importantly, he wanted to impress his social group.

Number of US$ Millionaires (in millions)

Rank	Country	Billion liters	Global Market Share	Growth (2023-24)
1	China	40.5	20.9%	-3.7%
2	USA	22.3	11.5%	-0.5%
3	Brazil	15.3	7.9%	1.1%
4	Mexico	10.8	5.6%	5.4%
5	Russia	9.5	4.9%	9.0%
6	Germany	7.2	3.7%	-2.2%
7	South Africa	4.6	2.4%	4.5%
8	Vietnam	4.6	2.4%	0.6%
9	United Kingdom	4.5	2.3%	1.7%
10	Spain	4.4	2.2%	-1.3%
11	Japan	4.1	2.1%	-2.7%
12	India	3.4	1.8%	14.6%
13	Poland	3.3	1.7%	-1.7%
14	Colombia	2.6	1.4%	3.2%
	All Other regions	57.0	29%	
	World Total	194.1	100%	

Source: Visual Capitalist

Whilst China and the US faced declines, India recorded the fastest growth among major countries, with volumes rising 14.6%. Heineken's Kingfisher is the #1 brand in India.

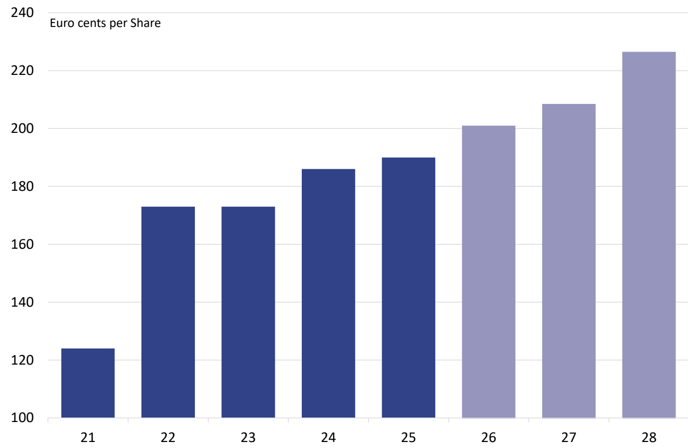
China is the world's largest beer market and the 2nd largest for premium products. The country has faced a prolonged economic downturn, yet the two largest global brewers achieved starkly diverging results last year. AB InBev's Budweiser enjoyed a c50% market share of China's premium beer market in 2015 but

2025 was a year to forget. For years, Budweiser focused on bars, pubs & high-end restaurants which have been hit hard as consumers turned to cheaper, at-home drinking options. Heineken's success came when it partnered with China Resources Beer in 2018, connecting Heineken to China's biggest local distribution network which meant it was able to reach way more consumers through everyday retail stores. This move has proved pivotal with the CEO calling the company's China performance "an absolute success story." This strategy bodes well given that China remains under pressure.
Other growth drivers include:

1. Project EverGreen which focuses on allocating resources towards the 17 priority markets, representing roughly 70% of volumes, 65% of net sales and c90% of medium-term growth potential.
2. Stronger productivity measures, including a 7% reduction in its workforce.

Consequently, management provided prudent guidance for FY2026 of between 2-6% operating profit growth. Heineken trades at c15% discount to the sector and is one of the cheapest stocks in European Beverages. Given that the Iran war broke out shortly after results, consumers will no doubt face rising costs in the first half and the new, yet-to-be announced CEO will need to have a very firm grasp of the opportunities and challenges within Emerging Markets as well as cost discipline. Overall, we believe that despite the near term global-macro challenges, Heineken is attractively priced and well placed to capitalise on its high-growth markets and premium brands

HEINEKEN'S DIVIDEND TRAJECTORY



The EverGreen Strategic Plan is driving higher free cashflow resulting in the dividend payout policy rising to a range of 30% to 50% of net profit whilst the €750 million share buyback will boost earnings per share by 1%.

Heineken 0.0. has become the #1 global non-alcoholic brand.

Our next seminar will be held in June. As usual, we will review the first six months of the year and update our outlook for the remaining six months.

Topic: **2026: The first six months**

Natal Midlands

Date:	4 June 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	9 June 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	11 June 2026
Venue:	Kelvin Grove Club, 144 Camp-ground Rd, Newlands, 7700
Time:	7.30am
Venue:	Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town
Time:	5.30pm for 6pm

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