INTUITION

18 SEPTEMBER 2026

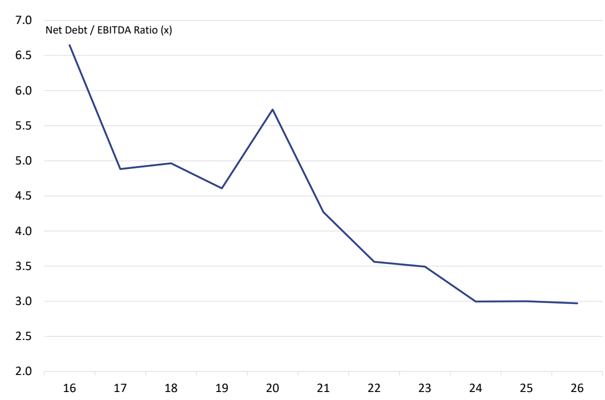
AB Inbev: the decade long SAB hangover subsides at last!

The gold rush of 1886 created a massive influx of miners and fortune seekers to Johannesburg. Mining was thirsty work and whilst clean water was scarce, the demand for refreshments was exceptionally high. This environment enabled Charles Glass and his wife Lisa - now credited as the primary brewer and technical mind responsible for perfecting the Castle Lager recipe - to join forces and establish South African Breweries. In 1897, SAB became the first industrial company listed on the JSE. More than a century later in 2016, Belgium-based AB InBev, offered £44 a share to SABMiller shareholders, cementing its position as the world's largest brewer and giving it control of nearly 30% of global beer production. Unfortunately, even as the beer flowed, growth evaporated under the weight of the enormous debt pile. Ten years later, embattled shareholders finally have something to cheer. This article outlines the key drivers behind the 25% share price appreciation year-to-date.

Nick Rogers

Anheuser-Busch InBev (ABI) is the largest global brewer, responsible for 26.4% of 2024 global beer production followed by Heineken (12.8%), Snow (5.8%) and Carlsberg (5.4%). ABI had made a habit of buying smaller companies, then increasing operating profits by drastically slashing costs. This successful strategy back-fired spectacularly in 2016 when it merged with SABMiller, the world's second-largest brewer. That acquisition was funded with $74 billion of new debt which took the total net debt owed to a staggering $114 billion. The Net Debt/EBITDA ratio spiked to 6.5x, a far cry from the pre-deal target of 2x. When cash flows disappointed, ratings agencies promptly downgraded its debt. Investor confidence was eroded further when the company was forced to halve its dividend to pay down debt. ABI was also forced to sell crown jewels like its highly profitable stake in both MillerCoors and China Resources Enterprise, producer of Snow beer, the best-selling brand in the world by volume. BREXIT, Covid-19 and weak EM currencies further compounded

ABI LEVERAGE



The SAB deal saw debt skyrocket in 2016 to 6.5x Net Debt/ EBITDA. It has been a long road, but management are confident that the past debt headwinds are now firmly in the rear-view mirror.

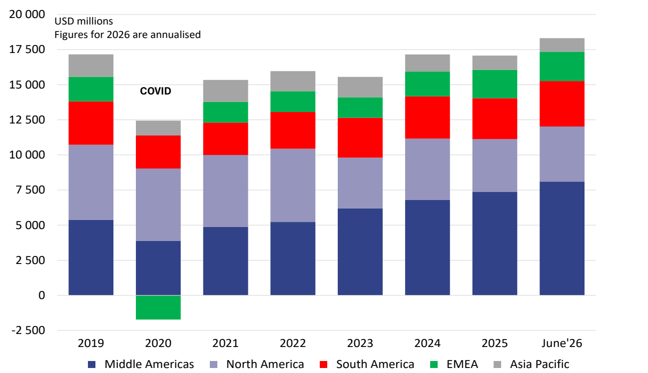
SPEED READ

- **Despite the heavy debt burden post the SAB merger, the collapse in dividends, and the impact of BREXIT and Covid-19, the world's largest brewer is finally experiencing green-shoots.**
- **Heightened health awareness and ageing populations have resulted in declining volumes in mature markets like the US and Europe. ABI is successfully pivoting heavily towards youthful and aspirant consumers in Emerging Markets as a key driver for future growth.**
- **Premium brands delivered an impressive 6.9% revenue increase in Q2 2026, led by Corona, Stella Artois and Michelob Ultra, which grew revenue by 17%, 19% and 21%, respectively.**
- **Low carb, low calorie and non-alcohol brands (global sales +13%) and "Beyond Beer" brands like SA's Flying Fish (+44%) are quenching global thirsts as consumer tastes evolve.**
- **The spike in global fuel prices is enough to make one reach for a beer, however, it is also removing cash out of the global consumers' wallets.**

the dollar-denominated debt issue. However, in 2026, the Group's strategy to drive efficiencies has finally resulted in an impressive jump in free cash flow (FCF) from $0.9 billion in 2024 to $3.9 billion in 2026. With leverage now below 3x for the first time since 2016, continued strong FCF generation could support incremental buybacks beyond current market expectations, accelerating both earnings and dividend growth.

Compounding ABI's problems has been the structural decline in beer consumption. Global beer production fell 1%, the equivalent of 14.3 million hectolitres (mhl), in 2025, according to Oxford Economics. Mature markets with ageing populations like the US (-9.6mhl or 5%), Germany (-4.7mhl) and China (-2.3mhl) had the biggest impact on volumes. What has ABI done to mitigate this? Premium beer has grown over 2x faster than mainstream beer over the last twenty years and aspiration is a primary driver of premiumisation. Emerging markets, with rapidly expanding youthful and aspirational populations are experiencing the opposite. They also offer the highest long-term growth driven by the desire for "affordable luxury." ABI's successful pivot towards EM is starting to pay dividends. Volume growth accelerated last quarter, led by Middle Americas (+4.7%), South America (Brazil +5%) Africa (+4.2mhl, SA #1), and India (+2.3mhl). ABI has poured $1.5 billion into India since 2016 which includes local manufacturing and supply-chain capabilities. India is now Budweiser's third-largest market globally. About 65% of the 1.4 billion population are under the age of 35 yet average annual beer consumption is just 2 litres per capita. As incomes rise, ABI's premium beers will become more affordable, which should drive meaningful growth in revenues.

ABI OPERATING PROFIT



It is clear that the structural decline in beer volume has hurt US (21.4% share) operating profit. Fortunately, Emerging Markets, in particular the Middle Americas (44%) and S. America (18%) are filling the void.

Technology is turning ABI's global scale into a competitive advantage. BEES is its digital platform connecting the brewer directly with retailers. Retailers can order stock, schedule deliveries and make payments in one place, instantly. They also gain access to promotions, product recommendations and business insights without the need for a physical sales rep. Rapid adoption has embedded BEES across AB InBev's route-to-market network. The platform is live in 30 markets and captured more than 72% of group revenue in 2025. Its convenience deepens retailer loyalty and lowers the cost of business for all.

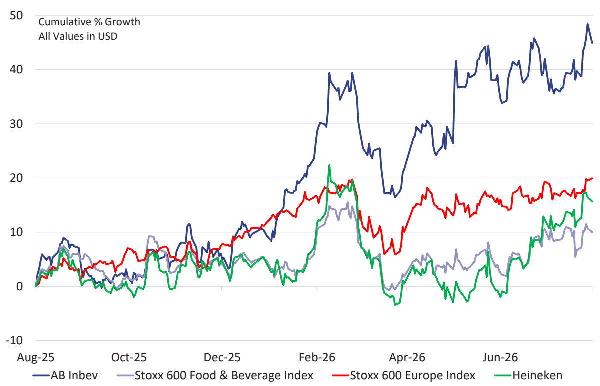
The brewing industry may be steeped in century-long traditions, but management are now analysing over 25 billion Artificial Intelligence (A.I.) touchpoints to unlock competitive advantages. For instance, a specific operational challenge was the "que filter" process, where particles from fermentation are removed to achieve the beer's required clarity or "turbidity."

Global Beer Consumption

Rank	Country (2024)	Total Consumption (Hectolitre '000s)	%	Beer Consumption Per Capita (2024)	Volume (litres)
1	China	40.5	20.9%	Czech Republic	148.8
2	U.S.A.	22.3	11.5%	Lithuania	110.6
3	Brazil	15.3	7.9%	Austria	104.6
4	Mexico	10.8	5.6%	Ireland	99.0
5	Russia	9.5	4.9%	Croatia	95.1
6	Germany	7.2	3.7%	#10 Germany	86.9
7	South Africa	4.6	2.4%	#12 Mexico	83.4
8	Vietnam	4.6	2.4%	#18 S.A.	75.2
9	United Kingdom	4.5	2.3%	#21 Brazil	70.3
10	Spain	4.4	2.2%	#24 U.K.	66.3
11	Japan	4.1	2.1%	#27 Russia	66.1
12	India	3.4	1.8%	#29 U.S.A.	65.4
13	Poland	3.3	1.7%	#30 Australia	65.0
14	Colombia	2.6	1.4%	#56 Japan	33.7
--	Other	57.0	29.2%	#102 India	2.4
	Global	194.1			

China and America still dominate Kirin's 2024 Global Beer Consumption chart, but Brazil and Mexico lead amongst Emerging Markets. On a per capita basis, the Czech Republic has led for 32 years in a row due to affordability (low tax and local production means that beer is often cheaper than bottled water and soft drinks in pubs) and a deep cultural heritage.

PRICE PERFORMANCE



AB Inbev is currently trading near its 52-week high as investors cheer the recovery in earnings, volumes and free cash flow. ABI has outpaced its peer group.

Turbidity must be kept below a specific threshold for each brand, and if that threshold is breached, the entire machine must be shut down for costly maintenance. Using AI, technicians were able to increase the volume per filter run by 60% and they have deployed the technology across 26 countries. Each AI innovation cuts costs, increases profits and chips away at ABI's debt pile. The recent FIFA World Cup was an opportunity to build long term brand loyalty. Beer was central to the moments of celebration, connection and shared experiences and ABI successfully rolled out Michelob Ultra across the Americas, growing the low-calorie beer's revenue by 21% outside of the US. Lastly, it is important to consider the risks given ABI's global footprint. Firstly, Brazil's new Imposto Seletivo (Sin Tax) takes effect in January 2027 and creates a potential structural pricing and earnings headwind in one of ABI's largest markets (11% of revenues). Secondly, ABI faces a difficult 2027 comparison against a World Cup-supported 2026. This will be partially mitigated by higher global advertising which should underpin loyalty and attract new drinkers. Thirdly, the weather remains unpredictable. Record heatwaves across Europe might be good for volumes, but the transition to El Nino conditions has hampered operations in numerous jurisdictions, notably China. Finally, logistics expenses are expected to rise further over the next six months owing to the ongoing impact of the Iran War. In conclusion, there is no doubt that the quality of the earnings, debt profile and FCF have improved significantly. Bloomberg consensus is currently pointing to a 21.7% 3-year compound annual growth rate in the dividend as the company finally has the headroom to improve rewards to shareholders. There are no near-term debt refinancing pressures and management has committed to at least $6 billion in share buybacks over the next 24 months which will boost earnings, another underpin to the share price. What remains, for the recovery to maintain momentum beyond management's control, is for the heightened geo-political tensions to ease and energy prices to stabilise. That will give the embattled global consumer confidence to order "one more round please, barman."

ABI'S BRAND PORTFOLIO

AB InBev's portfolio of premium brands contains 8 of the top 10 most valuable beer brands globally, according to the Kantar BrandZ 2026 report.

Or next seminar series will be held in November, when we traditionally review the past year and cast our eyes forward to the new year. We will do some with some trepidation, as we try to unpack whether 2027 will bring clam or chaos.

Topic:	**Outlook for 2027 – a more normal year?**
Natal Midlands	
Date:	3rd of December, 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg	
Date:	24th of November, 2026
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town	
Date:	26th of November, 2026
Venue:	J&J Belmont Square, Belmont Road, Rondebosch
Time:	7.30am
Venue:	Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town
Time:	5.30pm for 6pm

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CONTACT DETAILS:

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HARVARD HOUSE GROUP

3 Harvard Street, Howick, 3290, South Africa
P.O. Box 235, Howick, 3290, South Africa
+27 (0) 33 330 2164
+27 (0) 33 330 2617
@ admin@hhgroup.co.za
W www.hhgroup.co.za

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