

# Bevco Lux S.à r.l. Debt Investor Relations

June 26, 2020

Summary to 2019 Bevco Lux S.à r.l. Full Year Audited Financial Statements

*The below is a summary only for certain financial information of Bevco Lux S.à r.l. ("Bevco") and should be considered together with the 2019 Bevco Full Year Audited Financial Statements as at December 31, 2019. All information is available online via the Bevco website, <http://www.bevcolux.lu>*

## 2019 Year in Review

For the calendar year ended December 31, 2019 Bevco recorded Operating Income of €272 million and Other Comprehensive Income of €2.2 billion, from dividends and appreciation of its core holding, AB InBev, together with its portfolio of high-quality businesses.

Consistent with the communicated approach to managing its financing base, in 2019 Bevco completed extensions of its committed revolving credit facilities ("CRCFs") totaling \$850 million. These extensions involved \$500 million of secured facility extensions of three and five years, and the addition of \$350 million in unsecured financing tranches with existing core lenders.

In addition, Bevco sold assets worth €100 million in the third quarter of the year and applied these proceeds to debt repayment.

The combination of asset appreciation, selective realizations, and debt paydown resulted in a full-year reduction of consolidated LTVs from 12.7% as of December 31, 2018 to 8.9% as of December 31, 2019 a reduction of ~380 basis points.<sup>1</sup>

As at December 31, 2019, Bevco's Interest Coverage Ratio stood at 9.9x<sup>2</sup> and its Leverage Ratio stood at 3.1x<sup>3</sup>

In December 2019, Bevco's more diversified portfolio, prudent financial management, and conservative balance sheet, resulted in Standard and Poor's reaffirming Bevco's rating of BBB with a stable outlook. As part of this rating, Bevco communicated an increase in its upper target LTV range from 15% to 20%.

Taken together, actions taken prior to recent market volatility enabled Bevco to conclude 2019 in a conservative position.

## A note on current market conditions

The first half of 2020 has seen a dramatic increase in volatility across markets and valuations arising from the disruption caused by Covid-19 pandemic. In response, most notably for Bevco, AB InBev revised the final 2019 dividend to €0.50 per share, from the previously announced €1.00 per share.

<sup>1</sup> Based on Bevco Lux S.à r.l. consolidated financials statements as of December 31, 2019. Figures presented do not include USD Bevco. LTV defined as gross debt minus cash at hand, divided by Total Assets minus cash at hand and excluding DLDM.

<sup>2</sup> The December 2019 Interest Coverage Ratio calculated using dividend income from AB InBev of €185.2 million, Private equity securities and partnerships of €86.9 million, other interest receivables and similar income of €2.2 million, and less administrative costs of €2.4 million divided by interest expense (including coupon on Eurobond and interest on other borrowings and excluding interest expenses on borrowing from related party in the amount of €16.9 million) of €27.4 million p.a. Includes unused commitment fees and breakage fees

<sup>3</sup> Calculated as net debt / (total income less operating expenses)

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While market conditions will likely remain characterized by uncertainty for coming months, Bevco has taken actions to further strengthen the company's ability to withstand accompanying volatility.

In Q1 2020, Bevco drew on its secured and unsecured facilities a net total of €361 million. In turn, Bevco extended a €200 million loan on the existing arm's length interest-bearing facility to Aguila Ltd, of which €100 million is repaid in June and Bevco is to retain €249 million in cash, post repayment.<sup>4</sup>

In the second quarter of 2020, Bevco received distributions and dividends from its portfolio companies. On June 10, 2020 Bevco received from Acorn Holdings B.V. a distribution of 27.3 million New York Stock Exchange-listed shares in Keurig DrPepper, which, based on the price per share as of June 10, represented a total distributed value of €690 million.

On June 11, Bevco received €51 million in dividends from AB InBev, pursuant to the revised final 2019 dividend.

Taken together, Bevco anticipates ending the first half of 2020 with an estimated LTV in the low-to-mid-teens in percentage terms.

Bevco intends to continue managing its leverage within communicated upper target LTV levels with the aim to maintain investment grade credit metrics.

## Bevco Summary

Bevco is an investment vehicle owned by the Santo Domingo Group ("SDG") which manages a portfolio of predominantly globally diversified consumer goods companies. Bevco maintains a simple, actively managed global investment portfolio, leveraging over 80 years of investment expertise in the sector.

The Bevco portfolio is currently made up of five key assets totalling €8,485 million (incl. DLOM; €9,400 million ex. DLOM)<sup>5</sup>.



SDG believes in its strategy to act as a constructive, long-term investor that adds more value than just capital to its holdings. SDG delivers this through its extensive consumer industry experience, access to global consumer networks, as well as selective investee support on governance, capital structure, mergers and acquisitions, and operational best practice.

<sup>4</sup> Note: Detailed subsequent events included in the Appendix and financial statements

<sup>5</sup> As at December 31, 2019

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Bevco is one of a very limited number of investment grade-rated investment holding companies in Europe. Bevco intends to manage its portfolio and capital structure to preserve metrics consistent with investment grade ratings whilst continuing to have access to European debt capital markets.

Bevco management continues to monitor global market conditions and believes the portfolio is adequately positioned to meet a variety of market scenarios. Management continues to believe in its portfolio strength and has considerable financial flexibility to remain opportunistic as an investor.

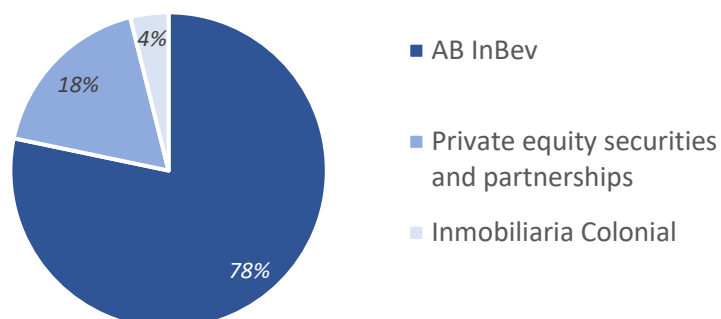
## The Bevco Portfolio

Bevco's portfolio consists of the following entities:

- **Anheuser-Busch InBev (AB InBev)** – The world's largest brewing company containing eight of the top 10 most valuable beer brands worldwide<sup>6</sup>.
- **Inmobiliaria Colonial SOCIMI, S.A.** – A leading Eurozone real estate company with over 1.7 million square metres of primarily Central Business District office space in Madrid, Paris and Barcelona.
- **Acorn Holdings B.V.** – The holding company of JDE Peets and Keurig DrPepper, the largest pure-play FMCG coffee company in the world and the leading single serve coffee platform in the US respectively.
- **Upfield** – a global plant-based foods business held via KKR co-investment partnerships.
- **Kraft Heinz Company** – One of the largest food and beverage companies in the world, held via 3G co-investment partnerships.

In September 2019, the Bevco sold 9.4 million shares in Inmobiliaria Colonial SOCIMI, S.A. for a total proceeds amounting to €100 million which resulted in a gain on disposal of €28.8 million.

## Bevco S.à r.l. Portfolio Weightings:



<sup>6</sup> As stated in the 2019 AB InBev annual report (According to BrandZ)

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## Capital Structure Strategy

It is management's intention to maintain a prudent, conservative capital structure. It intends to maintain its high quality CRCFs and continue to gradually evolve its capital structure to unsecured debt on terms consistent with its investment grade credit metrics.

On December 20, 2019, S&P affirmed the Bevco long term credit rating to BBB with a stable outlook. S&P classifies Bevco as a core subsidiary of Aguila, and as an investment holding company. The Bevco Senior Unsecured Eurobond was rated Investment Grade rating BBB.

## Overview of Financials

Bevco's balance sheet remains simple. As at December 31<sup>st</sup> 2019, Total Assets were €8,486 million (€9,400 million ex. Discount for Lack of Marketability ("DLOM")) and Total Liabilities were €1,035 million.

Bevco's net income of €274 million is the result of dividend and interest income from the portfolio. Expenses, including finance costs and taxes, totaled €48 million, resulting in a profit for the year of €227 million.

Other comprehensive income of €1,985 million represents the unrealized net change in AB InBev and other investments, and the net gain on disposal of shares in Inmobiliaria Colonial SOCIMI, S.A for €29 million. This results in total comprehensive income for the year of €2,212 million.

Bevco cash and cash equivalents at the beginning of 2019 stood at €11 million and at the end of 2019 stood at €22 million.

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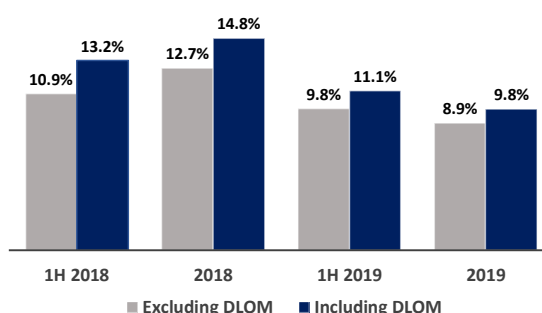
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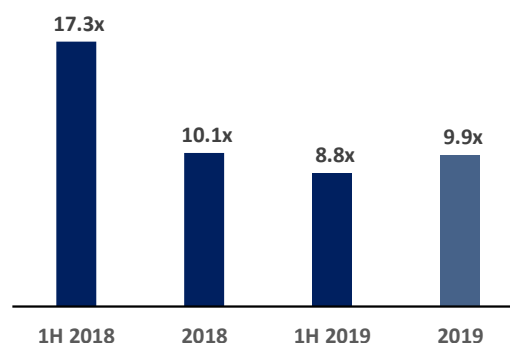
## Key Credit Metrics (as at December 31<sup>st</sup>, 2019)

Bevco holds both restricted and non-restricted shares in AB InBev. The restricted shares are a result of the October 2016 merger between SABMiller and AB InBev and are subject to, among other things, restrictions on transfer for five years from the date of the merger. The AB InBev restricted shares rank equally with respect to dividends and voting rights to AB InBev common shares, can be pledged as collateral and carry a right to appoint directors to the Board of Directors of AB InBev, subject to certain ownership thresholds. As the restricted shares cannot be marketed until the restriction lapses, LTV's are described both with and without application of DLOM. Bevco maintains conservative coverage ratios on a standalone basis:

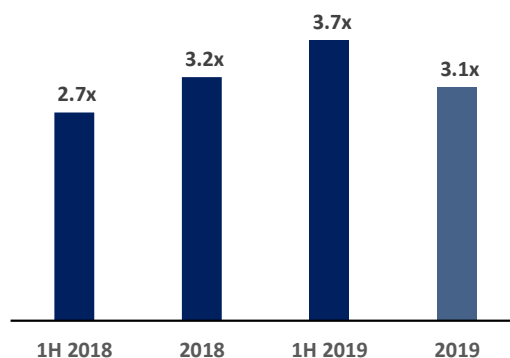
### Loan to Value (LTV) Ratio <sup>(1)</sup>



### Interest Coverage Ratio (ICR) <sup>(2)</sup>



### Leverage Ratio (LR) <sup>(3)</sup>



**Conservative leverage and coverage ratios**

Source: Company filings

(1) Based on Bevco Lux S.à r.l. consolidated financial statements as of December 31, 2019. Figures presented do not include USD Bevco. LTV defined as gross debt minus cash at hand, divided by Total Assets minus cash at hand and excluding DLOM.

(2) The December 2019 Interest Coverage Ratio calculated using dividend income from AB InBev of €185.2 million, Private equity securities and partnerships of €86.9 million, other interest receivables and similar income of €2.2 million, and less administrative costs of €2.4 million divided by interest expense (including coupon on Eurobond and interest on other borrowings and excluding interest expenses on borrowing from related party in the amount of €16.9 million) of €27.4 million p.a. Includes unused commitment fees and breakage fees

(3) Calculated as net debt / (total income less operating expenses)

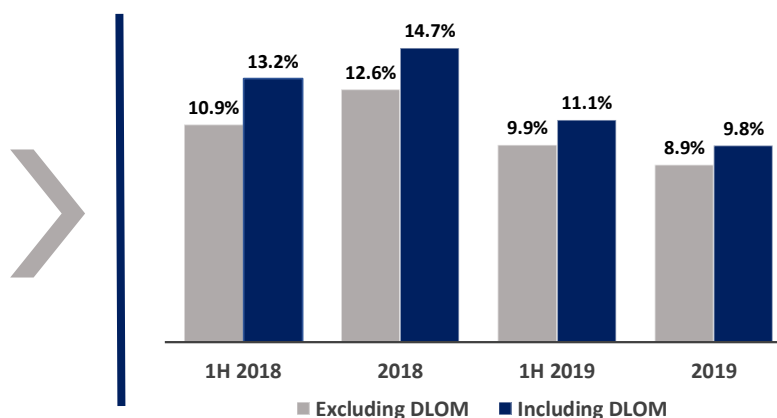
# Bevco Lux S.à r.l. Debt Investor Relations

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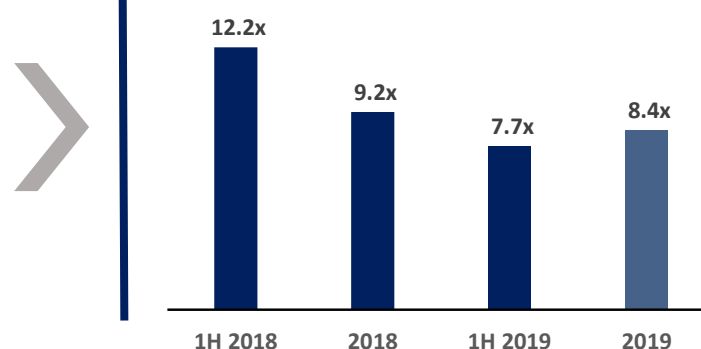
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Bevco is 100% owned by USD Bevco S.à r.l. ("USD Bevco") which is a Luxembourg investment vehicle used to issue USD-denominated CRCFs for the benefit of the whole group. Some AB InBev restricted shares are pledged to USD Bevco to collateralise the USD facility when consolidating the applicable metrics for both USD Bevco and Bevco. On a consolidated basis, credit metrics ratios are as follows:

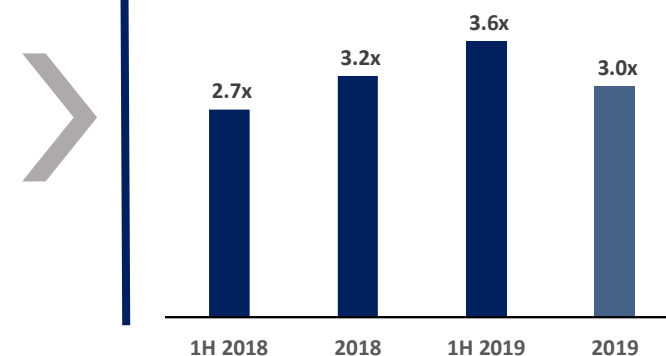
**Consolidated LTV Ratio <sup>(1)</sup>**



**Consolidated ICR <sup>(2)</sup>**



**Consolidated Leverage Ratio (LR) <sup>(3)</sup>**



**Consolidated leverage and coverage ratios**

Source: Company filings

- (1) Based on USD Bevco S.à r.l. consolidated financial statements as of December 31, 2019. LTV defined as gross debt minus cash at hand, divided by Total Assets minus cash at hand and excluding DLOM.
- (2) The December 2019 Interest Coverage Ratio calculated using dividend income from AB InBev of €185.2 million, Private equity securities and partnerships of € 86.9 million, other interest receivables and similar income of €4.6 million, and less administrative costs of €2.9 million divided by interest expense (including coupon on Eurobond and interest on other borrowings and excluding interest expenses on borrowing from related party in the amount of €16.7 million) of €32.7 million p.a. Includes unused commitment fees and breakage fees. For December 31, 2019 (H1 2019, 2018, H1 2018), US dollar amounts corresponding to P&L items are translated at the average of the trailing 12 month exchange rate of USD/EUR 1.1195 (1.1297, 1.1798, 1.1930); For December 31, 2019 (H1 2019, 2018, H1 2018), US dollar amounts corresponding to balance sheet items are translated into Euro using the spot rate as at December 31, 2019 (June 30, 2019, December 31, 2018, June 30, 2018) of USD/EUR 1.1234 (1.1380, 1.1450, 1.1658).
- (3) Calculated as net debt / (total income less operating expenses). FX translations are conducted as per footnote 2

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## Bond Holder and Financing Information

The Bevco business model is to primarily invest directly in strong, defensive global companies, with a consumer focus, to create long-term shareholder value.

As an investor, Bevco receives dividend income proceeds from its investee companies. Bevco uses these cash flows to maintain a prudent capital structure, as well as grow and diversify its investment holdings.

As at December 31, 2019 Bevco had €1.9 billion of bank CRCFs of which €50 million was drawn. Bevco also has €500 million of SDG CRCF available for drawdown from Aguila Ltd. The weighted average duration of the bank facilities (incl. Eurobond) is 3.4 years, and the weighted average interest rate (incl. Eurobond) is 1.87%. The weighted average duration of the bank facilities (excl. Eurobond) is 3.6 years, and the weighted average interest rate (excl. Eurobond) is 1.87 %.

As of December 31, 2019, Bevco had 38,720,558 AB InBev restricted shares pledged. In addition, 11,000,000 shares held in Inmobiliaria Colonial SOCIMI, S.A. were pledged as guarantee as part of an agreement with affiliates.

## Related Party Transactions

Excess USD/EUR cash is efficiently managed at a group level via transactions between legal entities. All cash is managed on an arm's length basis;

- Lending and borrowing between entities treated as separate legal entities within group
- All transactions are regularly reviewed and approved by respective Board of Managers
- Interest rates are set based on transfer pricing analysis

Aguila Ltd., Bevco and USD Bevco have all entered into two-way evergreen CRCF to manage cash flows both upstream (from Bevco and USD Bevco to Aguila Ltd.) and downstream from Aguila Ltd. to the Bevco entities.

Bevco calls upstream related party transactions those in which Bevco lends excess cash to Aguila, its parent company, on an arm's length basis. Separately, downstream related party transactions are sources of funds made available to Bevco by Aguila in order to manage intra-year cyclicity of cash flows.

Details and outstanding balances of related party transactions are included in the supplemental information and the company financial statements.

## Corporate Governance

Bevco and the SDG are overseen by the Board of Managers who are required to approve all decisions with the primary goal to maximise investment returns. A full list of the Board of Managers can be found on the Bevco website.

The Board has representatives in the following investees:

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**AB InBev** - Bevco is represented by one non-executive director in Boards of Directors, although, Management believes this does not clearly establish significant board influence given Bevco has the right to appoint only one out of fifteen members of the Board of Directors subject to certain conditions and requirements.

**Inmobiliaria Colonial SOCIMI S.A** – Bevco is represented by one non-executive director in the Board of Directors. Management believes this does not clearly establish significant board influence as SDG can appointed only one out of eleven members of the Board of Directors.

The Board of Managers believes that Bevco alone cannot absolutely or relatively, at a certain level, influence the financial and operating policy decisions to be taken by the investees. Moreover, Bevco has no representatives in other Committees assisting the Board of Directors subject to certain conditions and requirements.

## **Bevco Contact Details:**

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