September 15, 2015
British stock authority discussed the merger proposal (SAB is traded in London) and fixed a delay of one month at maximum to confirm or refuse the offer.

14 Octobre 2015
In accordance with Rule 2.6(a) of the Code, AB InBev was required, by not later than 5.00 pm on 14 October 2015, to either announce a firm intention to make an offer for SABMiller in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer for SABMiller.

October 13, 2015
Agreement in principle and extension of PUSU deadline- The Boards of AB InBev and SABMiller announce that they have reached agreement in principle on the key terms of a possible recommended offer to be made by AB InBev for the entire issued and to be issued share capital of SABMiller (the “Possible Offer”).

11 Nov 2015:
Anheuser-Busch InBev NV made a formal $107 billion offer for SABMiller Plc and a divestiture of SABMiller’s Interest in MillerCoors
• MillerCoors represented the biggest antitrust hurdle to the merger.
• SABMiller’s stake in China’s CR Snow may also need to be sold.

Next step
After four weeks of intense negotiations, the transaction is committed to achieve a "fusion" of an amount of around £ 71 billion. It will unfold in the coming months and probably will go through the creation of a New Co. would be listed, including the Johannesburg Stock Exchange.

Outlook
AB InBev will work with SABMiller and the relevant authorities in seeking to bring all potential regulatory reviews to a timely and appropriate resolution
• The transaction is subject to pre-conditions and conditions including:
  o Receipt of regulatory clearance, including in the European Union, U.S., China,
  o South Africa, Colombia, Ecuador, Australia, India and Canada
  o Shareholder approvals from both AB InBev and SABMiller shareholders
• Transaction expected to be completed during the second half of 2016, subject to satisfying the relevant regulatory clearances

After a Standoff, Clinking Glasses
SABMiller rejected several potential offers from Anheuser-Busch InBev as undervaluing the company, but then agreed to recommend a sweetened proposal.

Notes: The proposals are for the all-cash component of the deal. The deal includes a partial share alternative at a lower per-share value for 43% of shares. The first and second proposals weren’t publicly known until Wednesday. £1=$1.55
Sources: the companies (offers); WSJ Market Data Group (share price, as of 7:25 GMT)
Profils of AB InBev & SAB Miller

The Acquirer: Anheuser-Busch InBev (AB InBev)
- Headquater: Leuven, Belgium
- Traded as: Euronext-ABI
- NYSE-BUD
- Founded: in 2008 after merger of InBev with Anheuser-Busch
- Management: Carlos Brito (CEO); Kees J. Storm (Chaireman)
- Total revenue: US$47.063 billion (2014)
- Total assets: 142 550 (2014)
- Total equity: US$54.257 billion (2014)
- NO. of employees: >155,000 (2014)
- Subsidiaries: Anheuser-Busch, AmBev, InBev, Grupo Modelo etc.

The Target: SAB Miller
- Headquater: London, England
- Traded as: LSE-SAB; JSE-SAB
- Founded: in 1895 (120 years)
- Management: Alan Clark (CEO)
- Total revenue: US$22.311 billion (2014)
- NO. of employees: 70,000 (2014)
- Subsidiaries: Bavaria Brewery, Foster's Group, Kompania Piwowarska, Miller Brewing Company, South African Breweries, Peroni Brewery, Pilsner Urquell Brewery

Motivation for merger
The merged group will account for 30% of the worldwide market share in the short term.

Global complementary
- Grow AB InBev in Africa
- Grow SAB Miller in Latin America

Consolidation
- Cost saving & economies of scale
  - Cost cutting in Latin America

AB INBEV STOCKHOLDERS
- BRC (founders of 3G Capital) 23%
- Belgium families 28%
- Other 49%

SAB MILLER STOCKHOLDERS
- Other 55%
- Bevco (Santo Domingo family) 14%
- Norges Bank 4%
- Altria (US cigarettes group) 27%

World
- AB InBev 21%
- SAB Miller 29%

Post-merger volume: 29%
198 billion liters

Other 49%

AB InBev & SAB Miller’s capitalization table

### AB InBev

<table>
<thead>
<tr>
<th>Capital Mix</th>
<th>Operating Metrics</th>
<th>Geographical Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing Debt</td>
<td>$51,504</td>
<td>Revenues $45,762</td>
</tr>
<tr>
<td>Lease Debt</td>
<td>$1,511</td>
<td>Operating Income (EBIT) $14,772</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>$173,760</td>
<td>Operating Margin $32.28% Asia Pacific $5,040.00 11.24%</td>
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<tr>
<td>Debt to Equity ratio</td>
<td>30.51%</td>
<td>Effective tax rate 18.00% Europe $4,865.00 10.65%</td>
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<tr>
<td>Debt to Capital ratio</td>
<td>23.38%</td>
<td>After-tax return on capital 12.10% North America $10,993.00 35.86%</td>
</tr>
<tr>
<td>Bond Rating</td>
<td>A2</td>
<td>Reinvestment Rate = 50.99% Total $44,847.00 100.00%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Voting rights (25 Aug 15)</th>
<th>% Voting right (25 Aug 15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRC</td>
<td>37.598.236</td>
</tr>
<tr>
<td>MHT Benefit Holding Company</td>
<td>3.645.605</td>
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<tr>
<td>LTS Trading company</td>
<td>4.468</td>
</tr>
<tr>
<td>EPS</td>
<td>99.999</td>
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<tr>
<td>EPS Participations</td>
<td>130.257.459</td>
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<tr>
<td>Rayvax Société d’investissements</td>
<td>484.794</td>
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<tr>
<td>Sébastien Holding</td>
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<tr>
<td>Stichting Anheuser-Busch InBev</td>
<td>663.074.832</td>
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<td>Fonds Inbev-Baillet Latour</td>
<td>5.485.415</td>
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<tr>
<td>Fonds Voorzitter Verhelst</td>
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<tr>
<td>ABI</td>
<td>2.456.746</td>
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<tr>
<td>Brandbrew</td>
<td>525.894</td>
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### SAB Miller

<table>
<thead>
<tr>
<th>Capital Mix</th>
<th>Operating Metrics</th>
<th>Geographical Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing Debt</td>
<td>$12.550</td>
<td>Revenues $22.130</td>
</tr>
<tr>
<td>Lease Debt</td>
<td>$368</td>
<td>Operating Income (EBIT) $4,420</td>
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<tr>
<td>Market Capitalization</td>
<td>$75.116</td>
<td>Operating Margin 19.97% Asia Pacific $3,136 14.17%</td>
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<tr>
<td>Debt to Equity ratio</td>
<td>17.20%</td>
<td>Effective tax rate 26.40% Europe $4,186 18.92%</td>
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<tr>
<td>Debt to Capital ratio</td>
<td>14.67%</td>
<td>After-tax return on capital 10.32% North America $143 0,65%</td>
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<tr>
<td>Bond Rating</td>
<td>A3</td>
<td>Reinvestment Rate = 16.02% Total $22,130 100.00%</td>
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</table>

### Issued shares and total voting rights

As at 1 June 2015, the Company’s share capital consisted of 1,616,740,982 ordinary shares with voting rights, and a further 59,292,830 ordinary shares held in treasury. Therefore, the total number of voting rights in the Company as at that date was 1,616,740,982.

### Changes of market capitalization

- **Sept 15, 2015**: $175 billion
- **Oct. 13, 2015**: $183 billion
- **SAB Miller**: $75 billion
- **$ 100 billion**

Source: Damodaran, company sites
Expand market footprint ★★★★★

- AB InBev’s market are focused in North, South America and Europe. SAB Miller has large market share in emerging market, which can benefit the merged group.
- SAB Miller’s market in Africa can complement the market coverage of AB InBev. In Africa, SAB Miller was allowed to acquire local brands, making it the monopolistic supplier of beer. The acquisition in Africa were Ohlssons and Chandlers Union. The enlarged brewer will have the No. 1 or No. 2 positions in 24 of the world’s 30 biggest beer markets, and provide AB InBev its first toehold in Africa, where about 65 million people are due to reach the legal drinking age by 2023.
- AB InBev would have a leading market share in the U.S. (46%), Mexico (57%), Africa (33%), Brazil (63%) and the rest of Latin America (62%).
- The agreement would give AB InBev a dominant presence in nearly every major market and an estimated 28.4% market share world-wide after expected divestitures—nearly three times its closest rival, Heineken NV. The combined companies would generate $64 billion in revenue.

Cost synergy: Increase the economies of scale ★★★★★

- Optimize cost control: i.e. reduce tax cost
  - Takeover will yield $1.4 billion in annual pretax savings
- Consolidate and share physical assets such as plants

External & Internal risk control ★★★☆☆

- (+) Volatile economic conditions: a pullback in consumer spending, particularly on higher-margin premium brands and on-premise purchases; beverage volume tends to closely track GDP growth. The merged group can then distribute risk of economic slowdown or crisis into different geographic regions.
- (+) Currency fluctuations increase cost, depending on the company’s reporting currency, a stronger US dollar may hurt results because of higher local procurement costs and a translation hit to earnings.
- (-) Risk of integration. The integration is an important issue in M&A considering the differences as cultures, markets, employees etc.

General Synergy ★★★★★

- Marketing, administrative cost can be merged and reduced.
- Major stockholders are in favor of the merge.
- Investment in brands can benefits more as intensified competitive power has achieved.
- Brands: The company will have six of the top 10 brands globally, including: AB InBev’s No. 3 Bud Light, No. 4 Budweiser, No. 5 Skol, No. 8 Harbin and No. 9 Brahma; and SABMiller’s Snow, which is the world’s top-selling beer.

Revenue synergy: Pricing power ★★★★★

- Pricing and arguing power with suppliers can be improved, such as the procurement of raw materials in the production of beers: barley, malt, hops and etc.; the packaging materials (aluminum and glass) considered that normally fixed-rate contracts are in place. For example, SAB Miller acquired glass production facilities in upstream of the value chain.
- Pricing power with customers can be improved. As competitors, aggressive price promotions are favored in order to increase market share and maintaining customer fidelity.

Risks related to the AB InBev & SABMiller’s merger operation ★★★★★

- Value destruction: Deal price over distorts cash flow value
- Over optimistic market assessments
- Overestimating synergies
- Poor post-merger integration
Deal type: Amicable. AB InBev has received irrevocable undertakings from Altria & BEVCO, who collectively own approximately 40.45% of SABMiller’s issued share capital, to vote in favor of the transaction and to elect for the Partial Share Alternative (PSA) for the entire beneficial holdings of SABMiller shares.

AB InBev Reference Shareholder (b), EPS Participations S’rl and BRC S’rl, who collectively hold approximately 51.8% (c) of the issued share capital of AB InBev, have provided irrevocable undertakings to vote in favor of the transaction.

SABMiller shareholders will be entitled to receive for each SABMiller share either: £44.0 in cash; or a PSA comprised of 0.483969 Restricted Shares plus £3,7788 in cash.

Financing: Structuring the required funding will also prove complex, with AB InBev working with about 10 banks to arrange as much as $70 billion in financing.

AB InBev turned to Lazard for financial advice and its corporate broker Deutsche Bank AG, as well as lawyers from Freshfields Bruckhaus Deringer and Cravath Swaine & Moore. Robey Warshaw, JPMorgan Chase & Co., Morgan Stanley and Goldman Sachs & Co. are advising SABMiller, which sought legal advice from Linklaters and Hogan Lovells International.

**Deal structure steps**

1. The shares of SABMiller will be acquired by Newco (a Belgian company formed for the purpose of this transaction) in exchange for the issue of Newco shares to SABMiller shareholders
2. AB InBev will acquire Newco shares of former SABMiller shareholders to satisfy the cash components
3. AB InBev will subsequently merge into Newco, so that, following the completion of the transaction, Newco will be the new holding company for the combined group.

**Strategic rationale & Motivations**

- Brings together a largely complementary geographic footprint with access to high-growth regions (e.g., Africa, Asia and Central & South America).
- Builds on SABMiller’s South African heritage and commitment to the African continent—a critical driver for the future growth of the business
- Generates significant growth opportunities for the combined portfolio of leading global, national and local brands.
- Gains from the experience, commitment and drive of the combined global talent pool
- Benefits from revenue, cost and cash flow synergies

**Deal limits**

- Negative consequences that follow from this deal: The first is that when anti trust regulators in different parts of the world will be paying close attention to this deal, and it seems likely that SABMiller will be forced to sell its 58% stake in MillerCoors and that Molson Coors, the other JV partner, will be the beneficiary.
  - Regulatory hurdle in U.S. market, where AB InBev already has a roughly 45% market share and SABMiller controls a further 25% through its MillerCoors LLC joint venture with Molson Coors Brewing Co.
  - Potential regulatory hurdle is China, where AB InBev had a 14% market share last year* Chinese authorities could require the brewer to exit SABMiller’s joint venture with China Resources Enterprise Ltd., which controls 23% of the market and produces the top-selling Snow brand. Some divestitures could also be required in Latin America.

*Source: Euromonitor International
Recommendation for AB InBev shareholders

Merger effects

In principle, the acquirer AB InBev can benefit from merger synergies in different aspects in terms of operational profits and market confidence, which is likely to enrich shareholders’ pockets.

Shareholder price

- The merged group can complement the geographic footprints particularly Africa and other emerging markets, which are potential growth engine in the long run. Share price is likely to go upward with positive growth prospect.

- Synergies in terms of cost control, operation efficiency, revenue improvement, pricing power improvement is likely to input more capital into equity. Shareholders can then benefit from these operational profits.

Shareholder vote

- The shareholders of AB InBev are likely to experience a dilution in a newly combined company of voting power due to the increased number of shares released during the merger process.
Recommendation for SAB Miller shareholders

Merger effects

In principle, the target SAB Miller is likely to be involved in the double-win game, as the preceding period, the upwarded stock price improve market confidence and increase shareholders’ profits in the short run. In the long run, the combined group will benefit SAB Miller equally.

Shareholder price

- As SAB Miller is likely to enlarge its brand portfolio and reduce the competition cost such as low pricing war, as well as the talent pool and distribution infrastructure of AB InBev, the operational revenues are likely to benefit from the merger in the long run, which has great potential to improve market insight and augment the stock price.

Shareholder vote

- The shareholders of SAB Miller are likely to experience a dilution of voting power in a newly combined company due to the increased number of shares released during the merger process.
Conclusion

Key messages

The acquisition deal is likely to restructure the industry to a great extent in terms of geographic coverage, the power of negotiation in the value chain, the efficiency and control of operations, which lead to the positive prospects of shareholders’ benefits.

Strengths

- Completion of geographic distribution- build up truly global presence, with access to high-growth regions (Africa, Asia, Central & South America)
- Improve the risk control thanks to a diversified market distribution and brands
- Generates significant growth opportunities for the combined portfolio of leading global, national and local brands
- Benefits from revenue, cost, cash flow and tax synergies

Weaknesses

- 35%-50% premium of price is relative high, causing pressure for management of new combined company to deliver very good performance in order to cover it.
- Horizontal operation between these two companies might cause cannibalization effects of different brands in same markets.
- In post merge phase, the merge of two different corporate culture and general management need extra attention.
- Facing authorities challenge regarding anti-trust.
References

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- http://www.ab-inbev.com/investors.html
- http://www.sec.gov/Archives/edgar/data/310569/000095013708009337/c30926cdefa14a.htm