

A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the
NOVA – School of Business and Economics.

Brewing Success in Global Markets
Equity Research Heineken N.V.

Matteo Del Fiume
56152

A Project carried out on the Master in Finance Program, under the supervision of:

Luís Barbosa

17th May 2024

Abstract

Heineken N.V., founded by Gerard Adriaan Heineken in 1864, stands as a multinational brewing powerhouse headquartered in Amsterdam, Netherlands. Boasting a global footprint spanning 190 countries, Heineken commands a diverse portfolio of esteemed beer brands. Despite navigating challenges such as the COVID-19 pandemic and inflationary pressures, Heineken exhibits a resilient trajectory in consolidated beer volume. Against the backdrop of a thriving beer market propelled by evolving consumer preferences, Heineken faces macroeconomic risks including economic uncertainties and supply chain disruptions. In a competitive arena dominated by key rival AB InBev, Heineken strategically focuses on premiumization across diverse regional landscapes. Financially robust, Heineken demonstrates stable profitability and operational efficiency. A comprehensive SWOT analysis underscores Heineken's strengths in M&A prowess and premium brand portfolio, offset by challenges such as market dependence and operational costs. Valuation methodologies, including DCF and relative valuation, indicate a fair stock price assessment. Additionally, scenario analysis explores the potential impact of regulatory shifts on Heineken's market performance, offering insights into future valuation considerations.

Keywords: Beer Market, Premiumization, Global Expansion, Equity Valuation

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

This report is part of the “Challenging Years and Momentum Growth” report (annexed), developed by Matteo Del Fiume and Luís Paulo dos Santos Lopes da Silva and should be read as an integral part of it.

Table of Contents

COMPANY OVERVIEW	5
STRATEGY.....	5
SPONSORSHIPS & PARTNERSHIPS.....	6
INDUSTRY OVERVIEW	6
RISKS AND CHALLENGES.....	7
COMPETITIVE LANDSCAPE.....	7
SEGMENTS OVERVIEW	9
SWOT ANALYSIS	10
PERFORMANCE ANALYSIS.....	10
PROFITABILITY	10
EFFICIENCY	12
FORECASTS.....	12
REVENUES	13
OPERATING EXPENSES	15
VALUATION.....	16
DCF MODEL	16
RELATIVE VALUATION.....	17
SCENARIO ANALYSIS	18
ENVIRONMENTAL, SOCIAL AND GOVERNMENTAL GOALS.....	19
APPENDIX	20
FINANCIAL STATEMENTS	20
REFERENCES.....	26

Company overview

Figure 1: Heineken's Brands



Figure 2: Consolidated beer volume



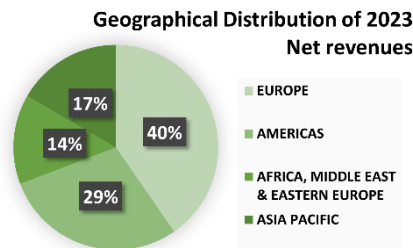
Heineken N.V., founded in 1864 by Gerard Adriaan Heineken, is a multinational brewing company headquartered in Amsterdam, Netherlands. Over the years, it has become one of the largest and most renowned beer producers globally, boasting a wide range of internationally consolidated brands in its portfolio (Figure 1). Constantly analysing new markets, Heineken operates in over **190 countries**, making it one of the most geographically diverse brewers in the world.

With a strong presence in both developed markets like **Europe** and **North America** and emerging markets such as **Asia** and **Africa**, Heineken is constantly expanding its trademark. The company is responsible for the production, distribution, and sale of more than **242.6 mhl** (millions of hectolitres) of beverages annually, with **56.3 mhl** attributed to **Heineken Volume** (Figure 2).

Despite facing challenges such as the impact of the **COVID-19 pandemic** in 2020, which forced volumes down, Heineken's consolidated beer volume has generally been on an upward trend. Although the company has been recovering, it faced **inflationary pressures** in 2023, resulting in a drop in beer volume, even as total revenues increased.

Today, Heineken operates through four distinct regions: **Europe**, **Americas**, **Asia Pacific**, and **Africa, Middle East, and Eastern Europe**. It has offices across the globe and employs more than **89,732 workers**. In 2023, Europe and the Americas accounted for **40%** and **29%** of Heineken's total net revenues respectively (Figure 3).

Figure 3: Revenues distribution



Source: Personal Estimates

Strategy

Heineken's strategy, embodied in its Evergreen model, consists in building an adaptable future-proof business. The vision revolves around achieving **superior, balanced growth** while ensuring **sustainability** and **responsibility** in its operations. The company's approach focuses on 5 key pillars (Figure 4).

Firstly, Heineken aims to shape the future of the beer industry and extend it beyond traditional boundaries. Through **premiumization** strategies, the company emphasizes the importance of **consumer-centric innovation**, with a particular focus on brands like Heineken, Birra Moretti, Tiger and a diverse portfolio of global and local brands. This includes venturing into **non-alcoholic, flavoured, and cider** variants, reflecting evolving consumer preferences and capturing new growth opportunities. Additionally, Heineken is leveraging **digital transformation** to enhance **consumer engagement** and streamline its **route-to-consumer** operations. By digitizing processes and investing in **e-commerce platforms**, the company aims to strengthen its connections with customers and drive **operational**

Figure 4: EverGreen Strategy



Figure 5: Brew a Better World 2030



efficiency.

Secondly, Heineken is committed to raising the bar on sustainability and responsibility, through its **Brew a Better World 2030** strategy (Figure 5). This includes initiatives to reduce environmental impact, promote responsible consumption, and foster inclusivity across its value chain. Heineken seeks to achieve ambitious targets related to **carbon neutrality** and **social sustainability**.

Furthermore, Heineken prioritizes becoming the **best-connected brewer** in the industry. By **leveraging data** and **technology**, Heineken aims to drive growth, improve operations, and enhance customer relationships. Through investing in digital capabilities, the company seeks to optimize sales strategies and innovate across various touchpoints. Moreover, Heineken places a strong emphasis on talent development and employee well-being, recognizing that its success ultimately depends on the dedication and capabilities of its workforce.

Sponsorships & Partnerships

Heineken's sponsorship strategy is focused on leveraging the global appeal of prominent **sports entities** such as UEFA Champions League and Formula 1 World Championships (Figure 6) to interact with fans and consumers consistently and effectively in the **target markets**. Heineken develops numerous **marketing strategies** through **sports sponsorship**, strengthening brand connections with fans and consumers and expand outreach.

Industry Overview

The beer market has been experiencing significant growth in the recent years with an increasing number of consumers seeking out new and unique flavours. There is also a growing interest in craft beer and non-alcoholic beer. Customers increasingly seeks for variety and quality when it comes to their beer choices. Today, the market includes fermented alcoholic beverages based on malt and also non-alcoholic beer with 0.5% maximum alcohol beer volume. The market is expected to grow annually by **3.61% (CAGR 2024-2028)**. Volume is expected to amount 129.6bn litres by 2028. Non-alcoholic beer revenues are projected to duplicate its revenues size by 2028 reaching 20.87bn EUR. **Europe** is the region expecting **lower CAGR** (0.9% 2023-2027). Americas is the biggest market among regions with 115.1bn EUR in revenues. Despite the fact that **Africa** is one of the smallest markets in revenues, the region is expected to grow **6.9% CAGR** until 2028. The **United States** is the biggest market and will be observing an average growth of **0.9% CAGR** for the following years. With an average revenue per capita of EUR€ 208.9, Australia & Oceania has a higher revenue per capita mainly due to higher beer prices per unit in the market.

Global Beer Volume
3.61% CAGR 2024-2028

Figure 6: UCL Sponsorship



Risks and Challenges

Heineken faces several macroeconomic risks and challenges that could impact its operations and financial performance.

Economic and Political Uncertainties: Globally, economic, and political uncertainties, compounded by events such as the **war in Ukraine** and the **Israeli-Palestinian conflict**, could result in a slowdown in the global economy, **higher inflation**, and tighter monetary policies. This could affect consumer spending and demand for Heineken's products.

Supply Chain Disruptions: With the **global trade** experiencing a significant **slowdown** since the beginning of the year, trade through the Suez Canal dropped by 50 percent, while the Panama Canal saw a 32 percent decline, leading to increased **delivery times** by 10 days or more on average (Figure 11). Such disruptions may cause **shortages** in crucial **inputs** and increased operational expenses, potentially impacting market presence and Heineken's ability to fulfil orders for crucial clients.

Digital Transformation Challenges: As the world becomes more digital and interconnected, **data** emerges as a valuable **asset**, and technological developments continue to evolve rapidly. However, the constantly increasing pace of technological change adds complexity, posing risks that strategic transformation programs may not deliver expected benefits or may incur significant cost or time overruns.

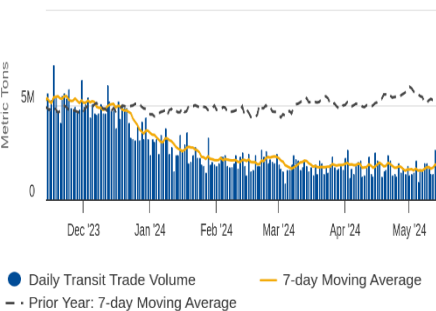
Regulatory Challenges: Regulatory changes related to alcohol pose a significant threat, with potential restrictions on advertising, marketing, and product availability, as well as increased taxes, which may lead to lower consumption or shifts in consumer preferences.

Climate Risks: Climate changes may impact the **availability** of **natural resources** such as water and agricultural commodities, leading to interruptions in production. Additionally, carbon taxation presents further challenges to the company's financial performance.

Competitive Landscape

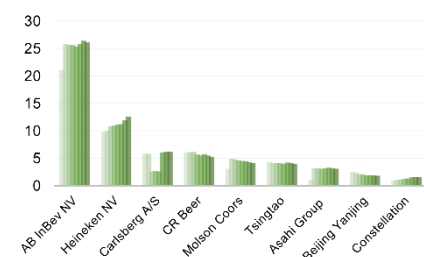
Despite the 2020 COVID disruption, major players in the market have managed to maintain relatively **stable market shares** (Figure 12), with Heineken pursuing growth through **strategic M&A** such as Distell Group, Namibia Breweries, United Breweries Group, and securing a minority stake in China Resources Holdings Co Ltd. While competing with AB InBev in key markets like Mexico, Brazil, and South Africa, Heineken strategically positions itself to benefit from emerging opportunities in high-growth markets like **Vietnam** and **India**.

Figure 11: Suez Canal Trade – last 6 months



Increasing pace of Digital Transformation

Figure 12: Beer Company Share Performance 2015-2022



Source: Euromonitor

Figure 13: Top 3 Brands in Brazil by volume sales

Brand	% Share
Skol	21.2
Brahma	17.6
Antarctica	9.8

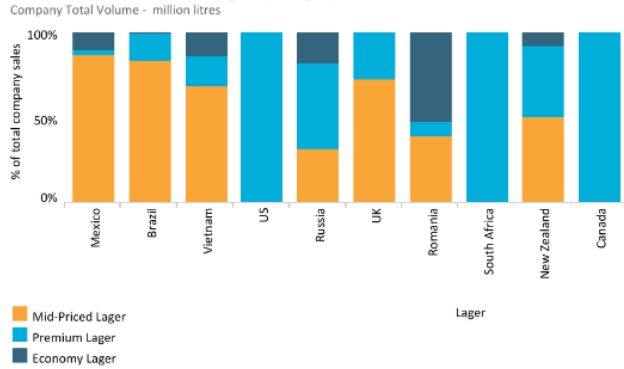
Source: Euromonitor

AB InBev, the leading global brewer, has seen a slight increase in its market share, particularly boosted by growth in **Brazil**, its second-largest market. Latin America, especially Brazil, has been pivotal to AB InBev's recent successes, with Brahma and Skol dominating lager volume sales, comprising almost 40% of 2022 volume sales (Figure 13). Despite intense competition, AB InBev maintains a significant market share in Brazil, with a **62% share of beer** as of 2022 Euromonitor Data. **Heineken** has also made strategic investments in Brazil, although facing challenges in volume growth in recent years, after rising **from 10%** to almost **20%** of total beer volume during pre-COVID period. Key higher end brands have achieved good growth in the country, and premiumisation remains a focus for Heineken.

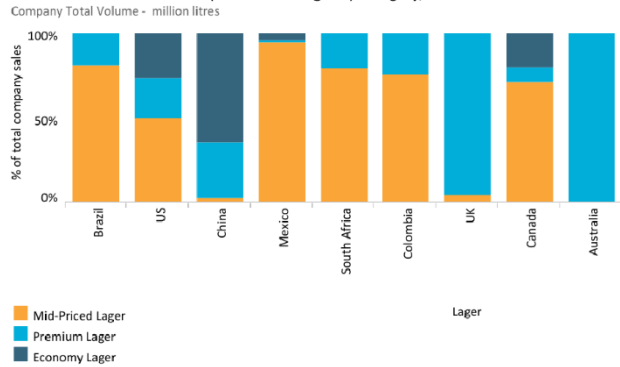
The competition between Heineken and AB InBev intensifies as both companies focus on **premiumization**, but its nature varies across different regions. While AB InBev leads in premium lager in the **UK**, Heineken's strength lies in mid-priced lager. In **Mexico**, where both companies hold a dominant position in the beer market, Heineken excels on mid-priced lager. As of 2022, Heineken and AB InBev together hold a **98% volume share of beer in Mexico**, with Heineken at **40%** and AB InBev at **58%**. Similarly, in the US, Heineken targets the premium segment, while Molson Coors and Constellation Brands compete with AB InBev across different price points (Figure 14).

Figure 14: Top Market by Lager category – AB InBev and Heineken

Heineken NV: Top Markets in Lager by Category, 2021



Anheuser-Busch InBev NV: Top Markets in Lager by Category, 2022



Source: Euromonitor

In **India**, the **top three** global brewers, AB InBev, Heineken, and Carlsberg, control **90% of 2022 sales** (Figure 15). Heineken's majority **ownership of United Breweries** increased its share in the company from 46.5% to 61.5%. The company's Kingfisher brand holds a leading position with a **54%** volume share of beer in 2022. The Middle East and Africa is also a site of intense competition. AB InBev aimed to expand its reach in this region, which drove its decision to acquire SABMiller in 2016. Similarly, Heineken's **acquisition of Distell** intensified the rivalry between these two major companies.

Figure 15: Top Company in India by beer volume sales

Company	% Share
UB Group	54.2
Carlsberg India Pvt Ltd	16.6
SABMiller India Ltd	15.4
Anheuser-Busch InBev India Pvt Ltd	4.1

Source: Euromonitor

While AB InBev excels in the mid-priced lager category with brands like Budweiser, its **heavy reliance** on this segment poses a **risk**, especially with the growing trend

AB InBev heavy reliance in mid-priced lager

of premiumization. More than half of AB InBev's beer volumes land in the mid-priced category. Heineken, on the other hand, is well-positioned to capitalize on this trend with its flagship brand being the world's leading premium lager. Despite challenges, Heineken brand has demonstrated consistent volume growth across regions, except for North America. Additionally, the **non-alcoholic beer category**, though small in Brazil and globally, has witnessed **rapid growth** in recent years, with Heineken 0.0 experiencing a significant increase in volumes.

Segments Overview

With the competitive landscape overview in mind, our attention shifts to Europe, the pivotal market segment driving value for Heineken.

EUROPE

EUROPE 2023 Heineken consolidated beer volume decline: -5.4%

Figure 16: Heineken Silver



The beer market in Europe has seen sustained growth in value alongside relatively steady volumes over recent years. However, in 2023, the region experienced a **downturn** in **consumer confidence** and **inflation-driven pricing**, resulting in pressure on industry volumes. While growth in Western Europe is limited, it remains a significant market due to its large volumes, particularly contributing to Heineken's overall value. Despite an organic **decline of 5.4%** in **Heineken Consolidated beer volume** for the year **2023**, its **premium** beer portfolio **outperformed** the wider portfolio in most European markets. Additionally, the non-alcoholic beer and cider portfolios showed resilience, maintaining stability. Heineken's net revenues grew in several countries (UK, France, Spain, Italy, Poland, and the Netherlands), driven primarily by inflation-led pricing, which offset the impact of rising input costs and volume decline. The introduction of **Heineken Silver** (Figure 16) reflects the company's initiative to modernize its product lineup and attract younger consumers. While Heineken has already successfully targeted this demographic with brands like Birra Moretti and Desperados, the promotion of Heineken Silver aims to **enhance** the overall **perception** of Heineken premium lager.

Looking ahead, the **outlook** for the beer market is **positive**. The region is expected to experience a **CAGR of 0.9%** (2023-2027). Lager is expected to benefit from a further recovery of on-trade consumption. Although economic pressures in the region might temporarily **slow down** the **premiumization** trend and boost interest in mid-priced or economy brands to some degree, the long-term trajectory suggests that premiumization will remain intact, providing a favourable environment for the Heineken brand in the region.

EUROPE CAGR 0.9% (2023-2027)

SWOT Analysis

Given the brief overview of the company and industry, it is possible to highlight the main strengths, weaknesses, opportunities, and threats of Heineken.

S - STRENGTHS

M&A Activity: Acquisitions continue to play an important role in Heineken's expansion, improving Heineken's standing in strategically key geographies.

Leading Premium Brands: The success of its flagship brand, Heineken, along with other premium brands, positions the company well in capturing premiumization trends in both developed and emerging markets.

W - WEAKNESSES

Dependence on Specific Market: As previously highlighted, the majority of revenues come from Europe and the Americas. Economic or political instability in these regions can significantly impact performance.

High Operating Costs: The resource-intensive nature of brewing, combined with stringent quality standards and regulatory requirements, can result in substantial overhead costs, impacting profitability.

O - OPPORTUNITIES

Non-Alcoholic Beverages: With the growing trend towards wellness and moderation, there's an opportunity for Heineken to capitalize on the increasing demand for non-alcoholic beverages, leveraging its leading position in the non-alcoholic beer category.

Premiumization: Heineken can further capitalize on premiumization trends by expanding its premium offerings.

T - THREATS

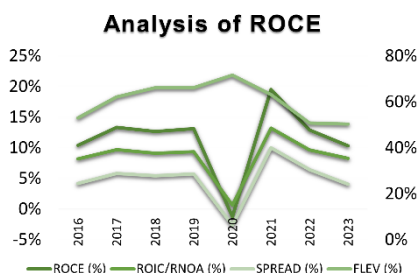
Intense competition: Competition, particularly with major players like AB InBev, poses a threat to Heineken, especially as both companies focus on premiumization, intensifying competition in key markets such as Mexico.

Regulatory Challenges: As previously highlighted, regulatory changes related to alcohol may impact Heineken's operations.

Performance Analysis.

Profitability

Figure 25: Heineken's ROCE



Source: Personal Estimates

Heineken's Return on Common Equity has exhibited a nearly "stable" trend in absolute terms in the review period 2016-2023, except for 2020, during the COVID crisis, when it sharply declined to -1.3%. The decrease was primarily driven by a significant **drop in revenues** across the geographical segments in 2020, amounting to a **17%** reduction in sales volume compared to the previous year.

Figure 26: Heineken's Net Revenues (€ mln) and Gross Profit



Source: Personal Estimates

However, a robust recovery in 2021 driven by revenue growth saw the ROCE soar to nearly 20%, only to regress to previous levels, thereafter, indicating a negative trend despite continued revenue growth (Figure 25).

The variance from 2021 is primarily explained by the gain in 2021 on previously held **equity-interest in UBL India** of €1,270 million, following Heineken's acquisition of control of UBL. The decline from 2022 to 2023 can be predominantly attributed to **escalating input costs**, which eroded the ROIC, coupled with an **increase** in net borrowing costs (**NBC**).

A "positive" trajectory is evident in the COGS margin over the review period, with COGS accounting for 31% of consolidated revenues in 2023. The gross profit margin (as a percentage of net revenues) exhibited a consistent decline. Revenue growth over the past three years has primarily been driven by **inflation-driven pricing**, despite a reduction in beer volume, yet the same inflationary pressures have led to increased input costs (Figure 26). Conversely, both the Selling and General expenses ratio and the personnel expenses ratio showed a slight declining trend over the review period. This overall pattern has contributed to a decline in the profit margin (PM) in recent years. The **ROIC** closely **mirrors** the **PM** trend, while asset turnover remained relatively stable throughout the review period (Figure 27). Additionally, a **declining trend** in financial leverage (**FLEV**) also contributed to the decline in ROCE over the last two years.

Europe: Europe's profitability witnessed a 3.5% CAGR in net revenues over the last five years, despite inflationary pressures stemming from the war in Ukraine. However, the EBITDA Margin remained relatively stable, except during the Covid crisis.

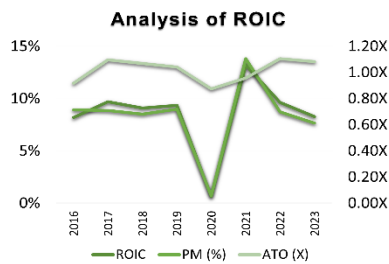
Americas: In the Americas, the region experienced the strongest growth in net revenues, with an 8.7% CAGR from 2019 to 2023. Nonetheless, the EBITDA Margin is on a downward trajectory due to inflationary pressures in Latin America (Figure 29).

AMEE: The AMEE region (Africa, Middle East, and Eastern Europe) saw a growth in net revenues at a CAGR of 6% from 2019 to 2023. Unlike the other regions, AMEE displayed resilience in EBITDA margin, except for 2023, largely influenced by a surge in **inflation** in **Nigeria**, reaching 32% in November 2023.

Asia Pacific: In the Asia Pacific region, net revenues grew at a 6.7% CAGR from 2019 to 2023. However, the EBITDA Margin experienced a decline over the review period, dropping from almost 40% to 20% (Figure 29).

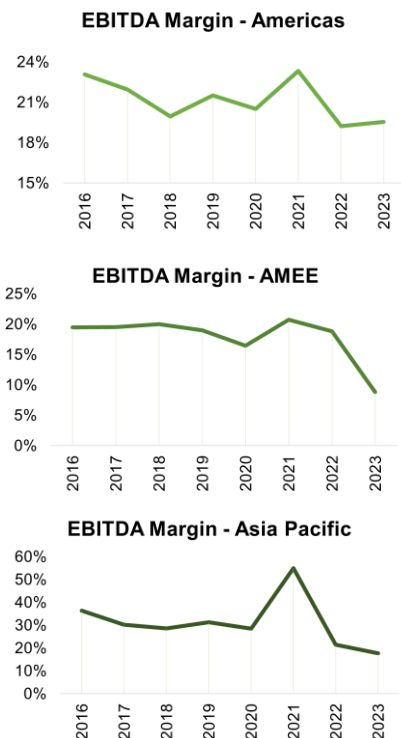
Compared to its peer group, Heineken demonstrated superior performance in **ROCE**, consistently **surpassing the peer average** (Figure 30). Despite a declining trend, the gross margin remained higher than the peer average, indicating strong

Figure 27: Heineken's ROIC



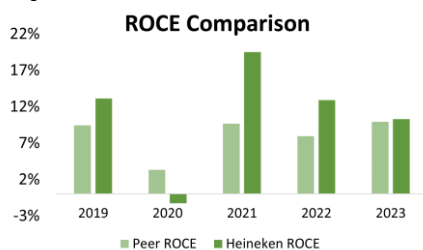
Source: Personal Estimates

Figure 29: EBITDA Margin across regions



Source: Personal Estimates

Figure 30: Peer ROCE vs. Heineken



Source: Personal Estimates

momentum. Additionally, the EBITDA Margin appears to be in line with the competitors' average.

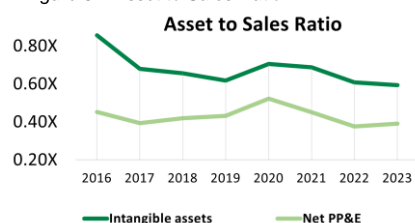
Efficiency

The asset turnover maintained a relatively stable pattern throughout the review period, experiencing a notable recovery trend in the post-pandemic era. Key drivers were identified in intangible assets and property, plant, and equipment (PP&E).

The asset-to-sales ratio of intangible assets exhibited a declining trend over the years, decreasing from 0.86X in 2016 to 0.59X in 2023, indicating **enhanced efficiency** in revenue generation. A similar trend can be observed for PP&E, despite on a smaller scale and with a more volatile pattern, with the asset-to-sales ratio for PP&E standing at 0.40 in 2023 (Figure 31). The trend appears to align perfectly with that of the peer group.

Likewise, investments in associates and joint ventures demonstrated increased efficiency in revenue generation.

Figure 31: Asset to Sales Ratio



Source: Personal Estimates

Forecasts

In restructuring the Balance Sheet and Income Statement, the classification of core and non-core activities is primarily tied to the concept of core revenue-generating activities, specifically **the business operations of brewing and selling beer**. Therefore, many assets and liabilities that might be considered core in the broader context of corporate governance and financial management are regarded as non-core in this case.

Regarding the reformulation of the Income Statement, the distinction between **core** and **non-core** results lies in the nature of the income and expenses they represent within Heineken's financial statements. Core results primarily comprise revenues, taxes directly associated with sales activities (such as excise taxes), and costs directly related to producing and selling products, like raw materials and personnel expenses. These are integral to Heineken's **core business operations of brewing and selling beer**. On the other hand, non-core results include revenues and expenses not directly tied to sales activities. This includes income from sources like rental properties or gains from asset sales, as well as expenses related to non-core assets, such as depreciation of assets held for sale. Additionally, it incorporates non-controlling interests. These elements reflect financial activities outside of Heineken's primary brewing and sales operations.

Revenues

Revenue forecasts were conducted for each region based on Heineken's operational segments: Europe, Americas, Africa, Middle East, Eastern Europe, and Asia Pacific. A **top-down approach** was employed, beginning with forecasting the total beer market size for each region and Heineken's corresponding market share within. This facilitated the determination of Heineken's beer volume within each region, which includes its **LONO portfolio**. The LONO portfolio consists of low- and non-alcoholic beer, cider, and brewed soft drinks with an ABV of 3.5% or lower. Non-beer volume includes cider, soft drinks, and other non-beer products manufactured and sold by consolidated companies. Third-party product volume refers to the volume of third-party products (both beer and non-beer) resold by consolidated companies.

Top-down approach

Beer Volume includes LONO Portfolio

Americas

In the Americas region, focus was placed on three key markets by volume: Brazil, Mexico, and the USA.

Brazil: Total beer sales volume is projected to grow at a 4% CAGR by 2027 to 18 billion litres. However, inflation and rising living costs pose challenges, potentially reducing the share of wallet dedicated to beer despite its continued popularity. Companies are increasingly investing in premium categories to mitigate this, potentially altering consumption behaviours in favour of higher-quality options. We believe this trend will strengthen Heineken's market position.

Mexico: In Mexico, beer volumes initially dropped in 2020 due to pandemic-related alcohol bans but rebounded in the following three years, surpassing pre-pandemic levels. Despite inflationary pressures, growth is expected to continue at a moderated rate, with a projected 4% CAGR by 2027. Non-alcoholic beer (NOLO) showed promising performance in 2023 but remains smaller in volume compared to alcoholic beer. Water scarcity, worsened by severe shortages in Monterrey in 2022, may hinder growth, prompting stricter regulations on water usage.

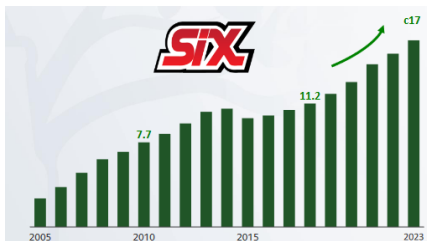
Competitively, AB InBev expanded beer distribution through the OXXO convenience store chain following a 2019 agreement. The company also invests in expanding its Modelorama store chain. Heineken focuses on expanding its Tiendas SIX stores, which boasted over 17,000 points of sale in 2023 (Figure 37). We believe the **intensely competitive landscape** limits market share gains for Heineken.

USA: Total volume sales are expected to increase at a 0.4% CAGR by 2027. Growth may be driven primarily by non-alcoholic beer, which has seen significant growth in the past five years. Heineken is well-positioned to capitalize on both the

Switch to premium categories in Brazil

Intense competition in Mexico

Figure 37: Six stores expansion



Source: Heineken Investor Presentation 2023

Low growth in USA

non-alcoholic and premiumization trends, bolstering its market share.

Assumptions: We assumed that beer volume in **Latin America** will increase at a **4% CAGR** for the period 2024-2027, with a slight increase thereafter at a 1% growth rate. Conversely, in **North America**, stable growth of **0.4% CAGR** was assumed over the forecasted period. Heineken's market share in Latin America is assumed to grow by 0.1% per year, **reaching pre-COVID levels of 20% market share**. Non-alcoholic beer will drive gains in market share in the USA, reaching 5.4% by the end of the forecasted period. The average price per hectolitre (hl) is assumed to increase with long-term inflation, after initially dropping due to relaxed inflationary pressures in 2024. Hence, net revenues show an increasingly positive trend.

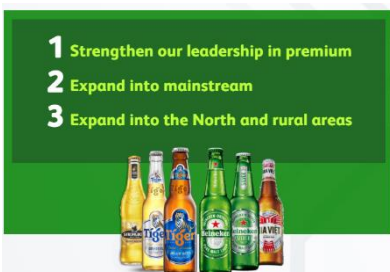
Asia Pacific

Asia Pacific represents 16% of total volumes, 17% of net revenue and 21% of operating profit. The region is expected to deliver outperforming results as a positive consequence from the **increasing middle-income population** allowing more **premiumisation**, Heineken's sales will be able to grow as the level of **urbanisation** increases. Heineken expects to be taking a substantial stake in CR Beer's Holding Company, enhancing its distribution network and market penetration in China. Non-alcoholic beer consumption represents only 2.2% of China's total beer consumption and it is expected that non-alcoholic beverages will continue growing and double its consumption share to 4.4% in 2028.

Vung Tau brewery in Vietnam is expected to continue to deliver efficient performance (Figure 40) due to the high production capabilities and sustainability processes including reductions in energy and water usage.

Assumptions: It was assumed that Asia Pacific volume will increase at a **3.2% CAGR** for the period of (2024-2028) and then increase by 1% each year. It was also assumed that Heineken's Asia Pacific region share will be increasing at an average of 0.1% each year. It was also assumed that long term beer prices will evolve with 2% long term average inflation.

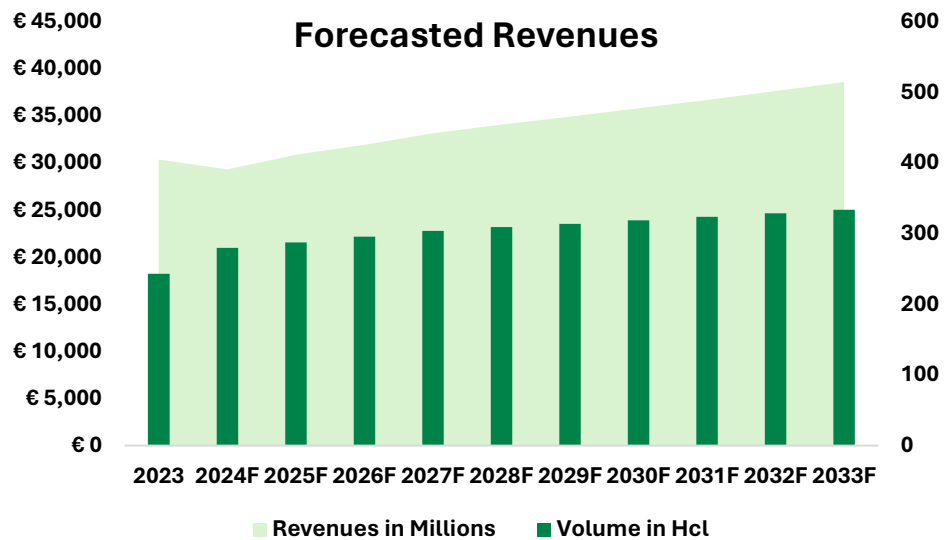
Figure 40: Heineken's goals in Vietnam



Source: Heineken Investor Presentation 2023

Total Consolidated Revenues

Total consolidated net revenues over the forecasted period are shown in the following graph:

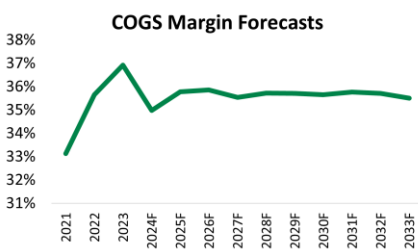


Source: Personal Estimates

Operating Expenses

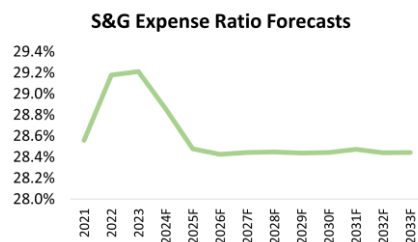
Heineken's most representative operating expenses are **Costs of Goods Sold**, accounting for 32% of total operating expenses in 2023. The COGS margin is expected to **stabilize** following a recent upward trend, driven by significant increases in 2022 due to disruptions in the market's value chain and inflationary pressures in 2023. The surge in energy prices resulting from the **energy crisis**, particularly in Europe, has notably impacted the cost of key raw materials, notably barley, a fundamental ingredient for beer brewing. Moreover, the conflict between Russia and Ukraine, both significant exporters of cereals, poses a risk to barley production if the situation escalates further. Despite uncertainty surrounding the duration of the conflict in Ukraine, inflation is projected to decrease in FY24, nearing the European Central Bank's target of 2%. However, the **demand for premium products** increases the use of more costly ingredients and production processes, maintaining the COGS ratio at nearly 36% as Heineken's portfolio shifts towards premium brands (Figure 40). Consequently, the Gross Margin, initially surging to 65%, is expected to slightly decline in the short term before stabilizing at 64%.

Figure 40: COGS Forecasts



Source: Personal Estimates

Figure 41: S&G expenses Forecasts

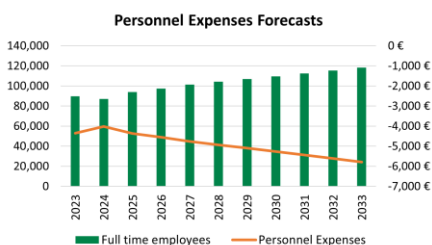


Source: Personal Estimates

Despite stringent regulations in the alcoholic beverages industry, Heineken intends to continue investing in marketing strategies to boost sales and enhance brand awareness. Additionally, leveraging consumer behaviour data collected from online platforms will enable Heineken to gain valuable insights into target audience preferences, facilitating more targeted and efficient marketing initiatives. As for energy and water costs, while future shocks are inevitable, disruptions associated

with the pandemic's end and Russia's invasion of Ukraine have subsided, with markets adapting accordingly. Consequently, **energy expenses** as a percentage of net revenue are anticipated to **stabilize at prewar levels**. The Selling and General (S&G) expense ratio is expected to stabilize at 28.5% (Figure 41).

Figure 42: Personnel expenses Forecasts



Source: Personal Estimates

Personnel expenses were estimated based on the number of employees, assuming **stable productivity** per employee across regions throughout the forecasted period, **except** for the **Asia Pacific** region (Figure 42). Here, annual productivity is anticipated to decrease by 2025 from €0.35 million per employee to €0.30 million, aligning more closely with historical productivity levels of the region. In order to forecast wages and salaries, the consolidated average salary per employee is projected to increase with long-term global inflation. Other personnel expenses per employee are set to remain stable at €0.015 million.

Valuation

The WACC for Heineken, calculated using CAPM to determine the cost of equity, the current debt-to-equity ratio, and the market cost of debt, yielded a total of 5.75%.

DCF Model

Figure 49: Valuation

Valuation at 16/05/2024	
g	2.26%
RONIC	7%
WACC	5.75%
EV	68,359
Net Financial Debt	(12,033)
Equity	56,326
# shares	563
Price per share	99.97 €
Market Value 16/05/2024	95.08 €
Expected Shareholder Return	5.14%
Recommendation	HOLD

Source: Personal Estimates

Heineken's enterprise value is calculated using the **Discounted Cash Flow Model** with a WACC of 5.75%. As summarized in Figure 49, we estimate a price per share of €99.97 as of December 31, 2024. Free Cash Flow in 2025 has been discounted for 0.5 years. The continuing value was computed using the key value driver formula, which is cash flow-based and links cash flow to growth and ROIC.

We determined the growth rate by examining the **compound annual growth rate (CAGR) in NOPAT** during the forecasted period of **2030-2033**, which showed a stable trend around 2%. The 2.3% growth rate is a fair estimation as it aligns with the expected global GDP growth. In 2023, global growth continued at an annual rate above 3%, despite tighter financial conditions and other adverse factors, such as Russia's aggression against Ukraine and the evolving conflict in the Middle East. The OECD projects global GDP growth at 3.1% in 2024 and 3.2% in 2025, consistent with the 3.1% in 2023. Given these forecasts, we expect nominal GDP growth to stabilize between 2% and 3% in the future.

Regarding **RONIC**, it has ranged between 5% and 9% in recent years with an increasing trend. We conservatively estimate it to stabilize at **7%**, suggesting that ROIC will converge to this value in the long run. Heineken's increased acquisitions and partnerships are expected to improve efficiency, although a more **saturated market** may lower margins over time. A RONIC of 7% indicates that Heineken will continue to create value with its new projects, as this is higher than the estimated

WACC. Consequently, the reinvestment rate is expected to remain stable at 33%. Key value drivers over the forecasted period are shown in the following table:

<i>in millions of EUR</i>		2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
NOPAT		2,779	3,394	3,421	3,576	3,722	3,740	3,776	3,837	3,896	3,987	4,103
	Change in NOPAT	(243)	616	27	154	146	18	35	62	59	91	116
	Growth rate	-8.0%	22.2%	0.8%	4.5%	4.1%	0.5%	0.9%	1.6%	1.5%	2.3%	2.9%
Invested Capital		34,822	37,508	37,165	38,974	40,361	41,111	41,943	43,191	43,841	45,278	46,605
	Change in invested capital	2,427	2,686	(343)	1,809	1,387	750	831	1,249	650	1,436	1,328
	% change	7.5%	7.7%	-0.9%	4.9%	3.6%	1.9%	2.0%	3.0%	1.5%	3.3%	2.9%
ROIC		8.3%	9.4%	9.2%	9.4%	9.4%	9.2%	9.1%	9.0%	9.0%	8.9%	8.9%
RONIC		-10%	23%	-8%	9%	11%	2%	4%	5%	9%	6%	9%
IR		80%	97%	-10%	53%	39%	20%	22%	33%	17%	37%	33%
Payout Rate		20%	3%	110%	47%	61%	80%	78%	67%	83%	63%	67%
RONIC for Continuing Value		7%										
CAGR (2030-2033)		2.3%										

Source: Personal Estimates

Moreover, ROIC has shown stable performance, averaging around 9%, which is higher than the WACC. This indicates that Heineken continues to create value for its shareholders.

Relative Valuation

Figure 50: Peer Group

Peer Group
AB InBev
Carlsberg
Diageo
Asahi Group Holdings

A relative valuation was performed as an auxiliary tool for Heineken's valuation. This method allows for a comparison between the value obtained through relative valuation and that derived from the DCF model. Heineken's competitors and their respective ratios were retrieved from S&P Capital IQ. Selecting a reasonable peer group is crucial for obtaining an accurate relative valuation stock price. Companies operating in a limited number of markets or with business models significantly different from Heineken's were excluded. The peer group was further refined based on criteria such as profitability, size, and risk. Growth rate and ROIC were key variables considered, as they help identify companies growing at similar rates and measure profitability.

The selected peer group includes AB InBev, Carlsberg, Diageo, and Asahi Group Holdings (Figure 50):

AB InBev and Carlsberg: These are Heineken's top competitors, competing directly across a wide range of markets, although Carlsberg lacks coverage in emerging markets like the Middle East, Africa, and Latin America. All three companies have a growing emphasis on the premium segment of beer. Despite pressures on on-trade beer sales, these leading brewers increased their volumes slightly between 2019 and 2022, showcasing relative stability.

Diageo: Although Diageo focuses more on spirits than beer, its emphasis on a premium portfolio aligns with the consumer trend of drinking better, not more,

Global presence

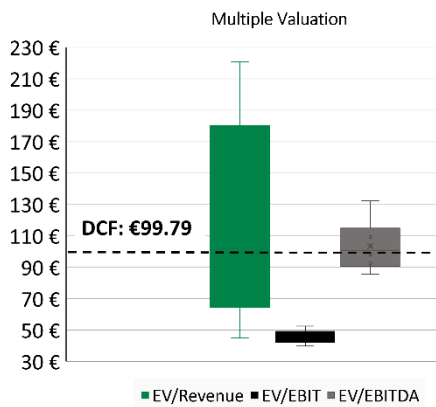
Diageo is well positioned to capture new trends

alcohol. Additionally, Diageo is well-positioned to benefit from the anticipated growth in RTDs, a strategic approach that Heineken is also adopting. This alignment in strategy makes Diageo a relevant peer in terms of market positioning and growth potential.

Asahi Group Holdings: Ranked as the seventh-largest beer company globally, Asahi has a broad presence, particularly in the Asia-Pacific, Australasia, and Eastern Europe regions. Asahi’s acquisitions of well-known European brands like Peroni and Pilsner Urquell indicate a strategic focus on expanding beyond Japanese markets.

We selected three commonly used valuation multiples: EV/EBIT, EV/EBITDA, and EV/Revenue. Diageo’s higher multiples might not be directly comparable to Heineken’s beer-focused operations but provide insight into how market positioning in premium and growth segments (like RTDs) can influence valuation.

Figure 51: Multiple Valuation



Source: Personal Estimates

EV/EBIT multiples: Indicated a lower share price range of €39.78 to €52.6.

EV/EBITDA multiples: Ranged from €85.57 to €132.31, aligning more closely with our DCF results.

EV/Revenue multiples: Showed significant variance, ranging from €45.1 to €220.7.

On average, the three multiples produced a share price of **€90.92**, which is lower than the estimate obtained through the DCF model and supports a **"Hold"** recommendation.

Scenario Analysis

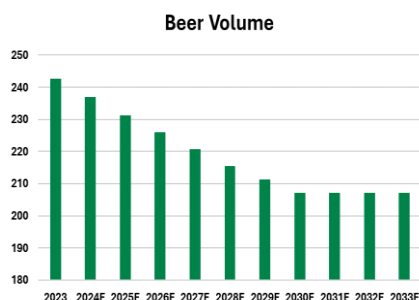
Scenario 1: Regulatory changes related to alcohol Share Price: € 70.74

In this scenario, we explore the effects of public health policies, particularly the Global Alcohol Action Plan (GAAP) endorsed by the 75th World Health Assembly in 2022, on the alcohol industry, with a specific focus on beer. The GAAP sets a target of **reducing per capita alcohol consumption by 20% by 2030**, emphasizing actions such as restricting marketing to minors and reformulating products. While the WHO hasn't extensively promoted the GAAP, we assess the potential impact of its effective implementation in this analysis.

Implementing these policies incurs costs for alcohol companies, including marketing changes, product reformulation, and production adjustments. OECD surveys suggest **reformulation costs** could match those of new product development, potentially involving pricier production methods. Tax increases also dent profits by either reducing sales or squeezing margins.

Our scenario predicts a 20% drop in beer sales volume by 2030 in Europe and the

Figure 52: Beer volume decline – Scenario 1



Source: Personal Estimates

Americas, with a milder decline in emerging markets like AMEE and Asia Pacific (Figure 52). Beer sales stabilize post-2030. Declining alcohol consumption is projected to drive a 4% annual growth in non-beer products such as soft drinks and cider until 2033, surpassing current estimates. Tax increases lead to elevated prices and decreased sales volumes. Cost of goods sold (COGS) and selling and general expenses are anticipated to rise by 2% annually, reflecting increased production and marketing costs. All other assumptions remain constant. The implementation of these policies yields a valuation for Heineken of €70.74.

Environmental, Social and Governmental Goals

This sustainability review section illustrates what incentives that Heineken has been developing on the path towards net zero impact by 2030 and 2040. By supporting sustainable farming, the company aims to have 100% of main ingredients (barley and hops) sustainably sourced by 2030. Optimising logistics activities to minimise energy consumption will be reducing the distance products travel.

Environmental

The environmental strategy consists in reaching net zero carbon by 2040. Heineken is committed to taking bold action to help limit global warming to 1.5°C. This is crucial to safeguard the planet and protect communities from the worst impacts of climate change. The strategy is built around the four R's: Reduce, Replace, Remove and Report to decrease absolute carbon emissions in the operations and across the value chain from barley to bar. Heineken is replacing fossil fuels with **renewable energy** while developing partnerships with suppliers and customers to reduce scope 3 emissions. Up to 2023, 34% absolute carbon reduction Vs 2018; 28 breweries (of 32 in water-stressed areas) have water balancing programmes.

Social- Embrace Inclusion & Diversity

Diversity, Equity and Inclusion fasters a sense of true togetherness and meaningful connection between employees, customers and customers. Gender balance across senior management, increasing the number of women among the Heineken senior management team with 30% by 2025 and 40% by 2030. Cultural diversity and equal pay for equal work are key social enablers. Heineken is committed to pay fair wages to employees closing any gaps and create leadership capacity to drive zero fatal accidents and serious injuries at work. Up to 2023, 28% women in senior leadership; 100% of direct employees earn at least a fair wage; 100% of in-scope markets have social impact initiative in place.

Figure 55: Social inclusion



Appendix

Financial Statements

Table 1: Forecasted Revenues

		FORECASTED REVENUES										
<i>in millions of EUR</i>		2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EUROPE												
Industry beer volume (million hl)		521	525	530	535	540	544	549	554	559	564	569
	Competitors market share	85.3%	85.2%	85.1%	85.0%	84.9%	84.8%	84.7%	84.6%	84.5%	84.4%	84.3%
	Heineken market share	14.7%	14.8%	14.9%	15.0%	15.1%	15.2%	15.3%	15.4%	15.5%	15.6%	15.7%
Beer volume		76.4	77.6	78.8	80.1	81.3	82.6	83.9	85.2	86.6	87.9	89.3
	(%) growth	-5.9%	1.59%	1.58%	1.58%	1.57%	1.57%	1.56%	1.56%	1.56%	1.55%	1.55%
Non beer volume		7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
Third party products volume		7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Average selling price per hl		133	124	128	128	129	130	131	132	133	134	135
	(%) growth	14.5%	-6.3%	2.7%	0.3%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
	Inflation rate	11.8%	3.7%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Europe Net Revenues		12,211	11,590	12,057	12,248	12,511	12,763	13,024	13,290	13,561	13,838	14,120
AMERICAS												
Industry beer volume (million hl)		639	655	673	690	709	715	720	726	732	737	743
	Latin America	391	407	423	440	457	461.9	466.5	471.2	475.9	480.7	485.5
	North America	248	249	250	251	252	253	254	255	256	257	258
	Competitors market share	86.6%	86.4%	86.2%	85.9%	85.7%	85.6%	85.5%	85.4%	85.3%	85.1%	85.0%
	Heineken market share - Latin America	19.1%	19.2%	19.3%	19.4%	19.5%	19.6%	19.7%	19.8%	19.9%	20.0%	20.1%
	Heineken market share - North America	4.3%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%
Beer volume		88.4	89.3	93.1	97.0	101.2	102.8	104.5	106.2	107.9	109.7	111.4
	(%) growth	-0.1%	0.97%	4.27%	4.28%	4.28%	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%
Non beer volume		1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Third party products volume		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Average selling price per hl		116	110	115	116	118	120	122	124	126	128	130
	(%) growth	11.6%	-5.2%	4.1%	1.4%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
	Inflation - North America	4.2%	3.0%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	Inflation - Latin America	13.8%	10.7%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	volume-weighted inflation rate	12.3%	9.8%	6.4%	5.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Americas Net Revenues		10,494	10,041	10,894	11,508	12,190	12,581	12,987	13,405	13,837	14,282	14,741
AFRICA, MIDDLE EAST & EASTERN EUROPE												
Industry beer volume (million hl)		142	145	149	153	157	161	162	163	165	166	167
	CAGR		2.6%	2.6%	2.6%	2.6%	2.6%	0.4%	0.9%	0.8%	0.8%	0.8%
	Competitors market share	75.5%	75.4%	75.3%	75.2%	75.1%	75.0%	74.9%	74.8%	74.7%	74.6%	74.5%
	Heineken market share	24.5%	24.6%	24.7%	24.8%	24.9%	25.0%	25.1%	25.2%	25.3%	25.4%	25.5%
Beer volume		34.8	35.9	36.9	38.0	39.2	40.4	40.7	41.2	41.7	42.2	42.7
	(%) growth	-11.2%	3.02%	3.02%	3.01%	3.01%	3.01%	0.77%	1.31%	1.17%	1.21%	1.20%
Non beer volume		14.5	14.8	15.1	15.4	15.7	16.0	16.3	16.7	17.0	17.3	17.7
Third party products volume		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Average selling price per hl		86	83	85	86	87	88	89	90	92	93	94
	(%) growth	8.4%	-3.9%	2.6%	1.0%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
	Inflation rate - South Africa	5.8%	4.8%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
AMEE Net Revenues		4,258	4,203	4,431	4,596	4,786	4,980	5,101	5,245	5,389	5,537	5,690
ASIA PACIFIC												
Industry beer volume (million hl)		618	618	628	635	644	652	656	662	667	672	678
	CAGR		3.2%	3.2%	3.2%	3.2%	3.2%	0.7%	0.8%	0.8%	0.8%	0.8%
	Competitors market share	93.0%	92.9%	92.8%	92.7%	92.6%	92.5%	92.4%	92.3%	92.2%	92.1%	92.0%
	Heineken market share	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%
Heineken beer volume		43.0	43.6	45.0	46.1	47.4	48.6	49.6	50.7	51.8	52.9	54.0
	(%) growth	-10.4%	1.48%	3.03%	2.62%	2.70%	2.65%	2.03%	2.16%	2.11%	2.10%	2.08%
Non beer volume		0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Third party products volume		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Average selling price per hl		95	95	94	94	93	93	93	92	92	92	91
	(%) growth	-0.5%	0.2%	-1.0%	-0.3%	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
	Inflation rate - Asia Pacific	5.1%	5.0%	4.3%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Asia Pacific Net Revenues		4,156	4,180	4,264	4,363	4,466	4,569	4,646	4,731	4,814	4,899	4,984
HEAD OFFICE & OTHERS												
Head office Net revenues		(757)	(730.1)	(769.8)	(795.8)	(825.9)	(848.8)	(869.9)	(892.1)	(914.7)	(937.9)	(961.7)
Total Net Revenues		30,362	29,284	30,876	31,919	33,126	34,043	34,888	35,779	36,686	37,618	38,573

Table 2: Forecasted Balance Sheet

FORECASTED BALANCE SHEET											
Core Invested Capital											
<i>in millions of EUR</i>	2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Core Assets											
<i>Operating cash</i>	364	351	369	381	395	405	415	426	436	447	458
<i>Intangible assets</i>	21,781	23,633	23,485	24,440	25,897	26,327	27,129	27,964	28,670	29,501	30,335
<i>PP&E</i>	14,772	14,985	15,286	16,009	16,754	17,151	17,678	18,191	18,685	19,228	19,774
<i>Investments in associates and joint ventures</i>	4,130	4,633	4,885	5,050	5,241	5,386	5,520	5,661	5,805	5,952	6,103
<i>Loans and advances to customers</i>	239	275	268	261	253	244	240	245	249	253	254
<i>Loans to joint ventures and associates</i>	10	27	26	25	28	29	28	28	28	29	32
<i>Long-term prepayments</i>	504	360	388	415	422	417	415	419	422	418	409
<i>Other receivables</i>	417	323	342	361	379	398	402	408	397	381	377
<i>Inventories</i>	3,721	3,329	3,533	3,654	3,484	3,591	3,679	3,770	3,874	3,967	4,054
<i>Trade and other receivables</i>	5,019	4,814	4,653	4,810	4,538	4,663	4,301	4,411	4,020	4,123	4,227
<i>Derivative assets</i>	58	76	79	82	67	70	75	75	72	73	74
<i>Non-current derivatives</i>	33	73	57	35	35	35	39	41	45	44	45
<i>Current tax assets</i>	196	135	144	167	160	167	174	176	181	186	190
Total Core Assets	51,244	53,014	53,514	55,689	57,654	58,886	60,096	61,815	62,885	64,601	66,332
Core Liabilities											
<i>Tax liabilities</i>	0	0	0	0	0	0	0	0	0	0	0
<i>Other non-current liabilities</i>	67	110	118	128	127	122	119	117	115	114	119
<i>Bank overdrafts and commercial papers</i>	952	930	1,010	964	968	981	971	973	975	973	974
<i>Current portion of non-current interest-bearing liabilities</i>	2,749	2,107	2,255	2,227	2,329	2,418	2,460	2,510	2,584	2,624	2,708
<i>Total Trade and other payables</i>	9,419	9,219	9,784	10,118	10,452	10,773	11,036	11,310	11,622	11,900	12,163
<i>Returnable packaging deposits</i>	531	553	548	539	531	527	523	530	536	535	536
<i>Current Tax liabilities</i>	332	253	278	282	292	303	309	317	325	333	342
<i>Derivative Liabilities</i>	132	75	73	73	79	80	81	84	88	85	80
Total Core Liabilities	14,182	13,247	14,066	14,330	14,777	15,204	15,498	15,841	16,246	16,564	16,921
Core Invested Capital (IC)											
Core Invested Capital (IC)	37,062	39,767	39,448	41,359	42,876	43,682	44,598	45,973	46,639	48,036	49,411
Non-core Invested Capital											
Non-core Assets											
<i>Deferred tax assets</i>	1,292	820	805	782	783	801	818	822	838	862	815
<i>Equity Instruments</i>	562	562	562	562	562	562	562	562	562	562	562
<i>Fair value through OCI investments</i>	14	264	262	243	217	186	161	166	169	187	206
<i>Held-to-maturity investments</i>	0	0	0	0	0	0	0	0	0	0	0
<i>Current other investments (investments held for trade)</i>	0	0	0	0	0	0	0	0	0	0	0
<i>Assets classified as held for sale</i>	28	30	30	30	30	30	30	30	30	30	30
Total Non-core assets	1,896	1,676	1,659	1,617	1,592	1,578	1,571	1,580	1,599	1,641	1,613
Non-Core Liabilities											
<i>Deposits from third parties (mainly employee loans)</i>	491	607	608	607	602	594	582	579	581	583	594
<i>Post-retirement obligations</i>	586	616	632	660	695	707	727	747	765	786	806
<i>Non current Provisions</i>	627	679	716	740	768	789	809	830	851	872	894
<i>Deferred tax liabilities</i>	2,213	1,689	1,670	1,670	1,689	1,718	1,751	1,834	1,819	1,784	1,736
<i>Dividends</i>	13	25	23	20	19	19	20	21	21	20	21
<i>Current Provisions</i>	206	277	248	258	283	280	289	299	304	312	320
<i>Liabilities classified as held for sale</i>	0	43	44	47	52	43	48	53	57	43	48
Total Non-Core Liabilities	4,136	3,935	3,941	4,002	4,107	4,150	4,226	4,362	4,396	4,400	4,419
Non-core Invested Capital											
Non-core Invested Capital	(2,240)	(2,259)	(2,283)	(2,385)	(2,515)	(2,571)	(2,655)	(2,782)	(2,797)	(2,759)	(2,806)
Total Invested Capital (IC)											
Invested Capital (IC)	34,822	37,508	37,165	38,974	40,361	41,111	41,943	43,191	43,841	45,278	46,605

NET FINANCIAL DEBT											
<i>in millions of EUR</i>	2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Excess Cash											
<i>Excess Cash</i>	2,013	2,578	2,422	2,424	2,627	2,620	2,674	2,753	2,805	2,858	2,921
<i>Cash Ratio</i>	0.16	0.21	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
Financial Debt											
Borrowings	14,046	15,032	14,845	15,524	16,121	16,399	16,731	17,229	17,492	18,051	18,572
<i>D/E ratio</i>	0.62	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Net Financial Debt	(12,033)	(12,454)	(12,423)	(13,100)	(13,493)	(13,779)	(14,057)	(14,476)	(14,688)	(15,193)	(15,651)

EQUITY											
<i>in millions of EUR</i>	2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Equity											
Equity attributable to equity holders of the Company	20,056	22,799	22,515	23,545	24,450	24,872	25,376	26,131	26,530	27,377	28,168
<i>Non-controlling interests</i>	2,733	2,255	2,227	2,329	2,418	2,460	2,510	2,584	2,624	2,708	2,786
<i>% of Total Equity</i>	12.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Total Equity	22,789	25,054	24,742	25,874	26,868	27,332	27,885	28,715	29,154	30,085	30,954

Table 3: Forecasted Income Statement

FORECASTED INCOME STATEMENT												
<i>in millions of EUR</i>	2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	
Core result												
Net Revenues	30,362	29,284	30,876	31,919	33,126	34,043	34,888	35,779	36,686	37,618	38,573	
COGS	(11,208)	(10,243)	(11,046)	(11,445)	(11,772)	(12,161)	(12,457)	(12,757)	(13,121)	(13,432)	(13,693)	
<i>% net revenues</i>	36.9%	35.0%	35.8%	35.9%	35.5%	35.7%	35.7%	35.7%	35.8%	35.7%	35.5%	
Gross Profit	19,154	19,041	19,830	20,474	21,354	21,882	22,431	23,022	23,565	24,185	24,880	
Selling and general expenses	(8,869)	(8,451)	(8,793)	(9,073)	(9,422)	(9,685)	(9,922)	(10,177)	(10,446)	(10,699)	(10,971)	
<i>% net revenues</i>	29.2%	28.9%	28.5%	28.4%	28.4%	28.4%	28.4%	28.4%	28.5%	28.4%	28.4%	
Personnel expenses	(4,353)	(4,016)	(4,368)	(4,556)	(4,769)	(4,938)	(5,097)	(5,264)	(5,436)	(5,614)	(5,797)	
Amortization, Depreciation & Impairments:												
<i>Property, Plant & Equipment</i>	(1,896)	(1,632)	(1,661)	(1,705)	(1,784)	(1,868)	(1,916)	(1,976)	(2,035)	(2,093)	(2,156)	
<i>Intangible Assets</i>	(980)	(390)	(412)	(412)	(430)	(453)	(461)	(475)	(489)	(501)	(515)	
Core result before taxes (EBIT)	3,056	4,553	4,596	4,729	4,950	4,938	5,036	5,130	5,159	5,279	5,441	
<i>Tax allocated to core result</i>	(297)	(1,224)	(1,236)	(1,271)	(1,331)	(1,328)	(1,354)	(1,379)	(1,387)	(1,419)	(1,463)	
Share of profit of associates and joint ventures and impairments thereof (net of tax)	218	245	258	267	277	284	291	299	306	314	322	
<i>profit per inv in associates and joint ventures</i>	0.053	0.053	0.053	0.053	0.053	0.053	0.053	0.053	0.053	0.053	0.053	
Core Result after tax	2,977	3,574	3,618	3,724	3,896	3,895	3,973	4,050	4,078	4,174	4,300	
Non Core result												
<i>Other income</i>	393	171	171	171	171	171	171	171	171	171	171	
Amortization, Depreciation & Impairments:												
<i>Recycling of currency translation differences</i>	0	0	0	0	0	0	0	0	0	0	0	
<i>Assets classified as held for sale</i>	(220)	0	0	0	0	0	0	0	0	0	0	
<i>Interest income</i>	90	87	92	95	98	101	103	106	109	112	114.34	
<i>Other net finance income/(expenses)</i>	(375)	(142)	(151)	(75)	(99)	(64)	(115)	(127)	(77)	(74)	(79)	
Non core result before tax	(112)	115	111	190	170	207	159	150	202	208	206	
<i>Tax allocated to non core result</i>	11	(31)	(30)	(51)	(46)	(56)	(43)	(40)	(54)	(56)	(55)	
Non-controlling interests	(97)	(264)	(278)	(287)	(298)	(306)	(314)	(322)	(330)	(339)	(347)	
<i>% of net revenues</i>	0.3%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	
Non core result after tax	(198)	(179)	(197)	(148)	(174)	(155)	(198)	(213)	(182)	(186)	(197)	
NOPAT												
Operating income before taxes	2,944	4,669	4,707	4,919	5,120	5,146	5,195	5,280	5,361	5,487	5,647	
Core result after tax	2,977	3,574	3,618	3,724	3,896	3,895	3,973	4,050	4,078	4,174	4,300	
Non core result after tax	(198)	(179)	(197)	(148)	(174)	(155)	(198)	(213)	(182)	(186)	(197)	
Net Operating Profit after Tax	2,779	3,394	3,421	3,576	3,722	3,740	3,776	3,837	3,896	3,987	4,103	

NET FINANCIAL EXPENSE AFTER TAX											
<i>in millions of EUR</i>	2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Financing expense											
<i>Interest expenses</i>	(640)	(562)	(555)	(581)	(603)	(613)	(626)	(644)	(654)	(675)	(695)
Interest expenses before tax	(640)	(562)	(555)	(581)	(603)	(613)	(626)	(644)	(654)	(675)	(695)
<i>Tax benefit on interest expense (tax shield)</i>	165	151	149	156	162	165	168	173	176	182	187
financial expense after tax	(475)	(411)	(406)	(425)	(441)	(448)	(458)	(471)	(478)	(494)	(508)

NET INCOME											
<i>in millions of EUR</i>	2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Net income											
Profit attributable to equity holders of the company (Net Income)	2,304	2,983	3,015	3,151	3,281	3,292	3,318	3,366	3,418	3,494	3,596
<i>Other comprehensive income</i>	(459)										
<i>Non-controlling interests</i>	97	264	278	287	298	306	314	322	330	339	347
Total comprehensive income	1,942	3,247	3,293	3,438	3,579	3,598	3,632	3,688	3,748	3,832	3,943

Table 7: Forecasts of Excise tax expenses

Excise Tax Expenses		2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
by Region:												
Europe		(2,777)	(2,897)	(3,014)	(3,062)	(3,128)	(3,191)	(3,256)	(3,322)	(3,390)	(3,459)	(3,530)
% of revenues		18.5%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Americas		(211)	(205)	(222)	(235)	(249)	(257)	(265)	(274)	(282)	(291)	(301)
% of revenues		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
AMEE		(1,002)	(923)	(973)	(1,009)	(1,051)	(1,093)	(1,120)	(1,151)	(1,183)	(1,216)	(1,249)
% of revenues		19.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Asia Pacific		(2,023)	(1,792)	(1,828)	(1,870)	(1,914)	(1,958)	(1,991)	(2,027)	(2,063)	(2,099)	(2,136)
% of revenues		32.7%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Head Office		0	0	0	0	0	0	0	0	0	0	0
Total Excise Expenses		(6,013)	(5,817)	(6,037)	(6,176)	(6,341)	(6,499)	(6,632)	(6,775)	(6,919)	(7,066)	(7,216)

Table 8: Forecasts of COGS

Cost of Goods Sold		2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Raw materials		3,097	2,818	3,059	3,163	3,251	3,363	3,443	3,525	3,620	3,710	3,780
% of net revenues		10.2%	9.6%	9.9%	9.9%	9.9%	9.8%	9.9%	9.9%	9.9%	9.9%	9.8%
Non-returnable packaging		6,114	5,671	6,081	6,298	6,492	6,698	6,862	7,029	7,227	7,399	7,560
% of net revenues		20.1%	19.4%	19.7%	19.7%	19.6%	19.7%	19.7%	19.6%	19.7%	19.7%	19.6%
Goods for resale		1,997	1,784	1,937	2,015	2,062	2,135	2,188	2,238	2,311	2,361	2,392
% of net revenues		6.6%	6.1%	6.3%	6.3%	6.2%	6.3%	6.3%	6.3%	6.3%	6.3%	6.2%
Inventory movements			(29)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)
% of net revenues		0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Total COGS		(11,208)	(10,243)	(11,046)	(11,445)	(11,772)	(12,161)	(12,457)	(12,757)	(13,121)	(13,432)	(13,693)

Table 9: Forecasts of S&G expenses

Selling and General Expenses		2023	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Marketing and selling expenses		2,767	2,735	2,864	2,950	3,076	3,155	3,233	3,318	3,400	3,487	3,576
% of net revenues		9.1%	9.3%	9.3%	9.2%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Transport expenses		1,891	1,805	1,964	1,995	2,073	2,141	2,186	2,244	2,303	2,359	2,420
% of net revenues		6.2%	6.2%	6.4%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Energy and water		968	830	741	766	795	817	837	859	891	903	926
% of net revenues		3.2%	2.8%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Repair maintenance		622	586	618	638	663	681	698	716	734	752	771
% of net revenues		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other expenses		2,621	2,495	2,606	2,723	2,815	2,890	2,968	3,041	3,118	3,198	3,278
% of net revenues		8.6%	8.5%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Total Selling and General Expenses		(8,869)	(8,451)	(8,793)	(9,073)	(9,422)	(9,685)	(9,922)	(10,177)	(10,446)	(10,699)	(10,971)

Table 10: Forecasts of personnel expenses

Personnel expenses		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Wages and Salaries		2,950	2,710	2,958	3,095	3,250	3,376	3,495	3,621	3,750	3,884	4,022
Number of FTE (Full time Employees):												
Europe		28,362	27,594	28,706	29,161	29,787	30,388	31,010	31,643	32,288	32,947	33,619
net revenues per employee		0.43	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Americas		35,142	33,471	36,312	38,359	40,632	41,937	43,290	44,684	46,123	47,606	49,137
net revenues per employee		0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Africa, Middle East & Eastern Europe		14,334	14,011	14,771	15,321	15,954	16,598	17,004	17,485	17,963	18,458	18,966
net revenues per employee		0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Asia Pacific		11,894	11,944	14,214	14,545	14,885	15,229	15,487	15,768	16,047	16,329	16,613
net revenues per employee		0.35	0.35	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Total employees		89,732	87,020	94,003	97,385	101,259	104,152	106,790	109,580	112,421	115,341	118,335
Average Wage expense per employee		0.033	0.031	0.031	0.032	0.032	0.032	0.033	0.033	0.033	0.034	0.034
Global Inflation		6.9%	5.9%	4.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Compulsory social security contributions		443	412	445	461	480	493	506	519	532	546	560
Contributions to defined contribution plans		60	56	60	62	65	67	69	70	72	74	76
Expenses (income) related to defined benefit plans		76	71	76	79	82	85	87	89	91	94	96
Expenses related to other long-term employee benefits		8	7	8	8	9	9	9	9	10	10	10
Equity-settled share-based payment plan		31	29	31	32	34	35	35	36	37	38	39
Other personnel expenses		785	730	789	817	850	874	896	920	944	968	993
Total other personnel expenses		1,403	1,305	1,410	1,461	1,519	1,562	1,602	1,644	1,686	1,730	1,775
avg expenses per employee		0.016	0.015	0.015	0.015	0.015	0.015	0.015	0.015	0.015	0.015	0.015
Personnel Expenses (Total)		(4,353)	(4,016)	(4,368)	(4,556)	(4,769)	(4,938)	(5,097)	(5,264)	(5,436)	(5,614)	(5,797)

Table 11: Forecasts of D&A and Impairment

D&A and Impairment		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Depreciation and impairment of PPE		1,896	1,632	1,661	1,705	1,784	1,868	1,916	1,976	2,035	2,093	2,156
by Asset class:												
	% gross PPE	13.9%	11.0%	11.1%	11.2%	11.1%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
	Land and buildings	230	211	221	221	231	244	248	256	264	270	278
	% gross asset	4.7%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Plant and equipment	646	537	539	549	577	603	617	636	655	672	692
	% gross asset	14.6%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
	Other fixed assets	733	624	633	653	684	719	740	765	790	815	841
	% gross asset	37.6%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
	Under construction	13	0	0	0	0	0	0	0	0	0	0
	% gross asset	1.0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	ROU	274	260	268	282	292	303	311	319	327	336	344
	% gross asset	27.0%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Amortization and impairment of intangible assets		980	390	412	412	430	453	461	475	489	501	515
by Asset class:												
	% of gross intangible assets	4.6%	1.8%	1.7%	1.8%	1.8%	1.7%	1.8%	1.8%	1.8%	1.7%	1.7%
	Goodwill	490	0	0	0	0	0	0	0	0	0	0
	% gross asset	4.0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Brands	257	188	201	200	209	221	225	233	240	246	254
	% gross asset	3.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Customer-related intangibles	94	61	76	72	74	80	80	82	85	87	89
	% gross asset	12.3%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
	Contract-based intangibles	10	34	37	36	38	40	40	41	43	43	45
	% gross asset	1.5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
	Software, R&D	129	107	99	103	109	112	115	118	121	124	127
	% gross asset	16.2%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
TOTAL D&A and Impairment		2,876	2,021	2,074	2,117	2,213	2,321	2,377	2,451	2,524	2,594	2,671

References

Heineken (2024, February). *Heineken Annual Report 2023*. Retrieved from: www.theheinekencompany.com (accessed on 15 February 2024)

Heineken (2024, March). *Heineken Investor Presentation March 2024*. Retrieved from: www.theheinekencompany.com (accessed on 20 April 2024)

Heineken. *EverGreen Strategy*. Retrieved from: www.theheinekencompany.com/our-company/our-strategy (accessed on 15 February 2024)

Heineken. *Sustainability and Responsibility - Brew a Better World*. Retrieved from: www.theheinekencompany.com/sustainability-and-responsibility (accessed on 23 March 2024)

Statista. *Global Beer Industry Overview*. Retrieved from: www.statista.com (accessed on 10 March 2024)

McKinsey & Company. *Valuation: Measuring and Managing the Value of Companies (7th ed.)*. Retrieved from: www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/valuation-measuring-and-managing-the-value-of-companies (accessed on 18 March 2024)

CNN. (2022, June 5). *Low and Non-Alcoholic Beer Trend*. Retrieved from: www.cnn.com (accessed on 22 March 2024)

Sabine Vuik, Jane Cheatley, *Special focus: An overview of the impact of alcohol policies on alcohol producers and vendors*. Retrieved from: <https://www.oecd-ilibrary.org/sites/819e3e94-en/index.html?itemId=/content/component/819e3e94-en> (accessed on 8 May 2024)

Yahoo Finance. *Heineken Stock Quote (HEIA.AS)*. Retrieved from: <https://finance.yahoo.com/quote/HEIA.AS> (accessed on 17 March 2024)

Euromonitor. *Brazil Country Report*. Retrieved from: www.euromonitor.com (accessed on 29 April 2024)

Euromonitor. *Mexico Country Report*. Retrieved from: www.euromonitor.com (accessed on 29 April 2024)

Euromonitor. *USA Country Report*. Retrieved from: www.euromonitor.com (accessed on 29 April 2024)

IMF. *Red Sea Attacks Disrupt Global Trade*. Retrieved from: <https://www.imf.org/en/Blogs/Articles/2024/03/07/Red-Sea-Attacks-Disrupt-Global-Trade> (accessed on 8 May 2024)