FINANCIAL OPPORTUNITIES FORUM

Today's topic:

Brewed for Scale: Understanding the Global Beer Industry

Upcoming FOFs:

Thursday, May 14, 2026

Thursday, June 18, 2026

All archives available at: ppfasfof.com

Ms. Evita Godinho

Manager - Research & Stewardship,

PPFAS Asset Management Pvt Ltd

I like Beer (not because of the alcohol)

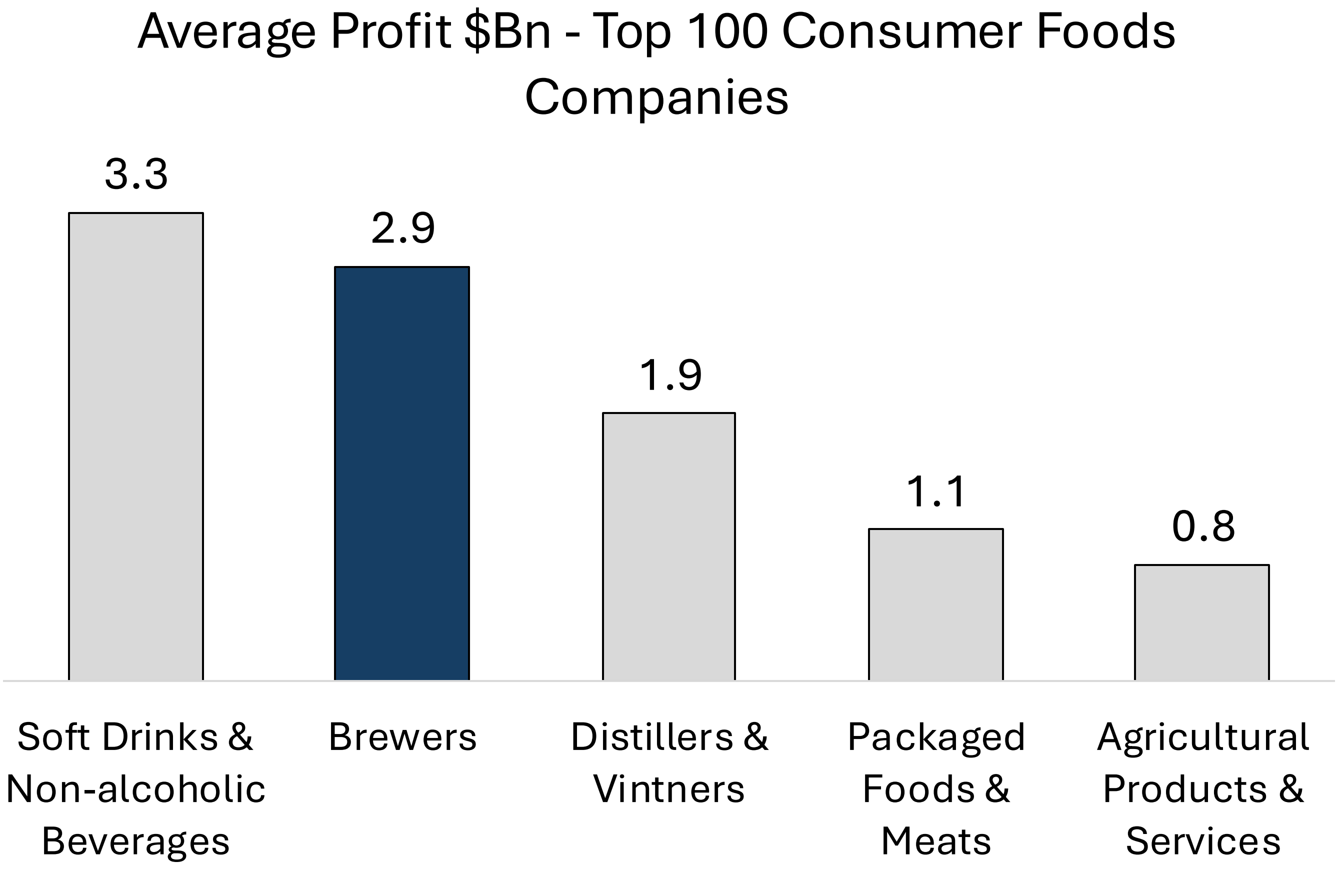
- Beer is FMCG
- And yet it is not FMCG

- Beer is like Spirits as it has Alcohol content
- And yet it is not like Spirits

- Industry is Concentrated
- And Yet Fragmented

Beer is a Big and Profitable Market

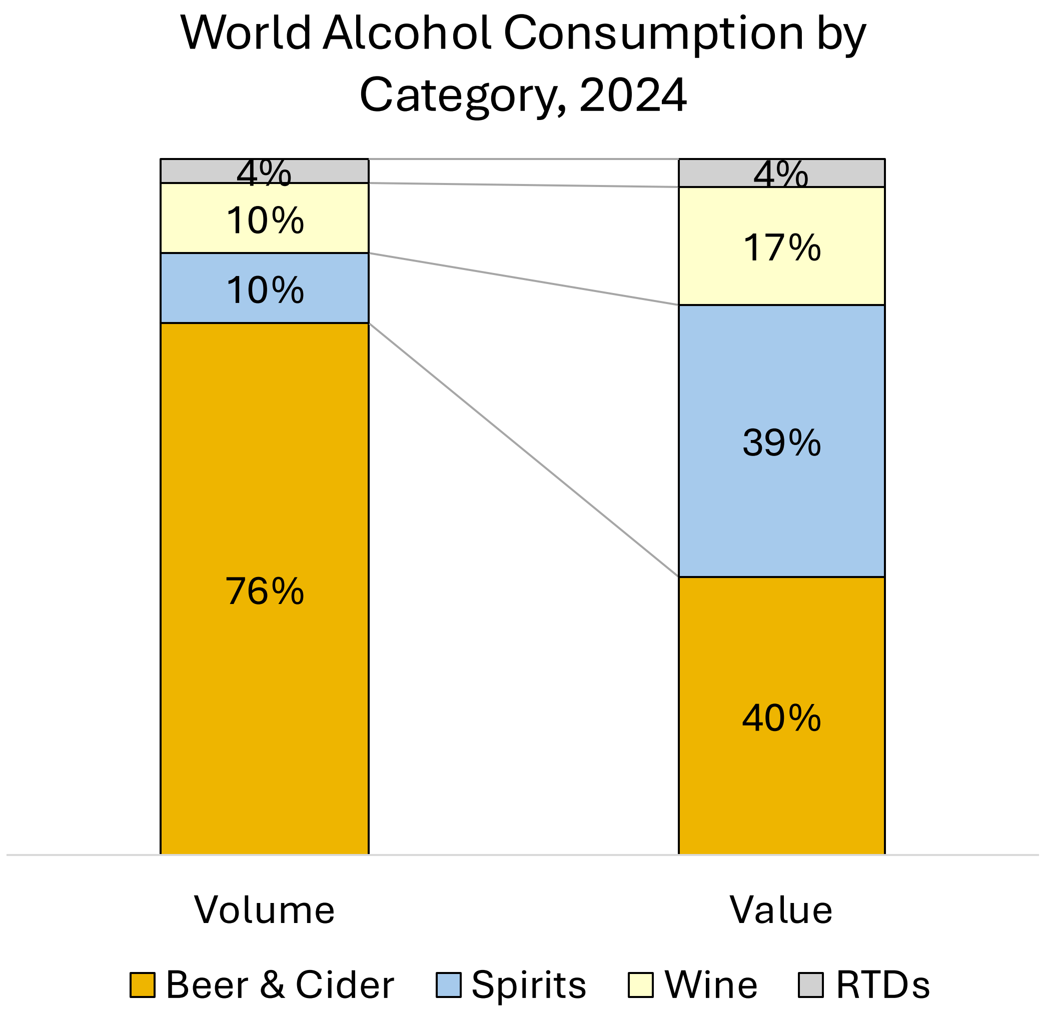
Beer companies are amongst the largest and most profitable consumer foods companies

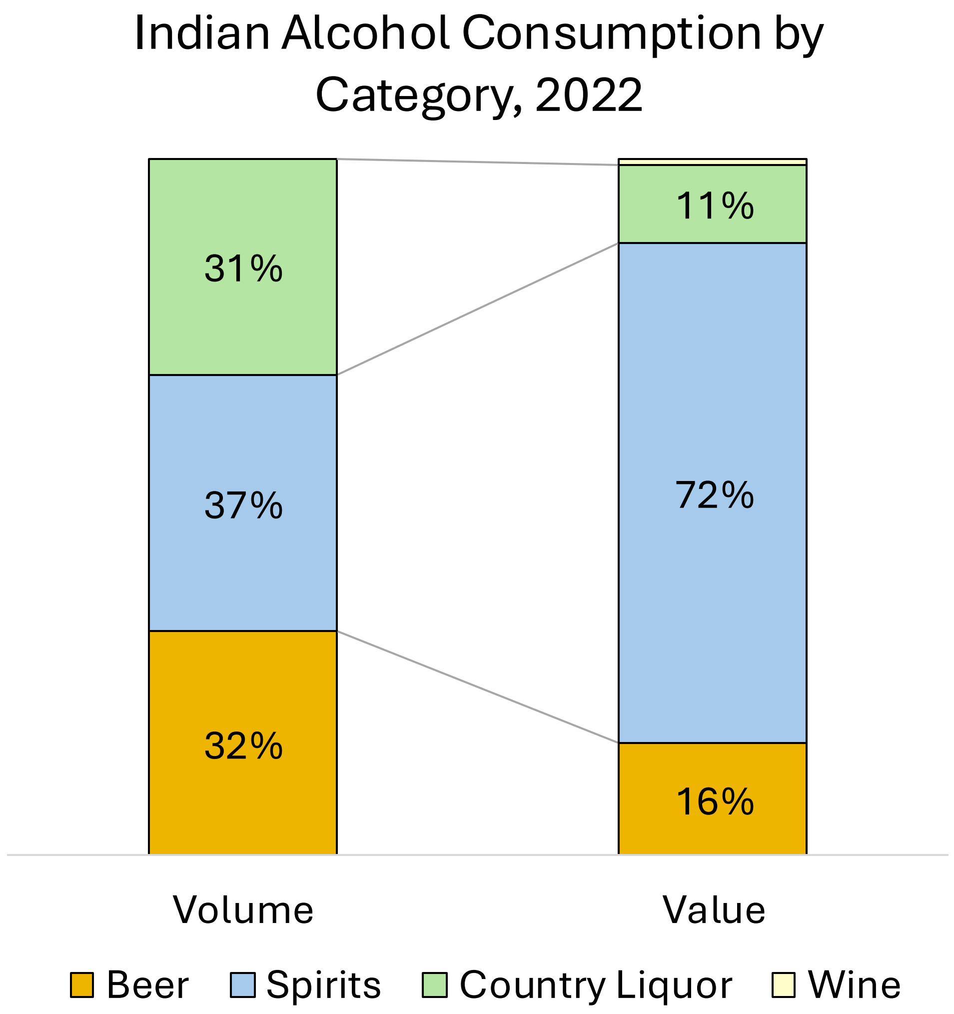


Company	Market Cap ($Bn)
ANHEUSER-BUSCH	153
HEINEKEN	46
CONSTELLATION-A	28
CARLSBERG-B	18
ASAHI GROUP HOLD	16

Source: IWSR, Euromonitor, PPFAS MF Research

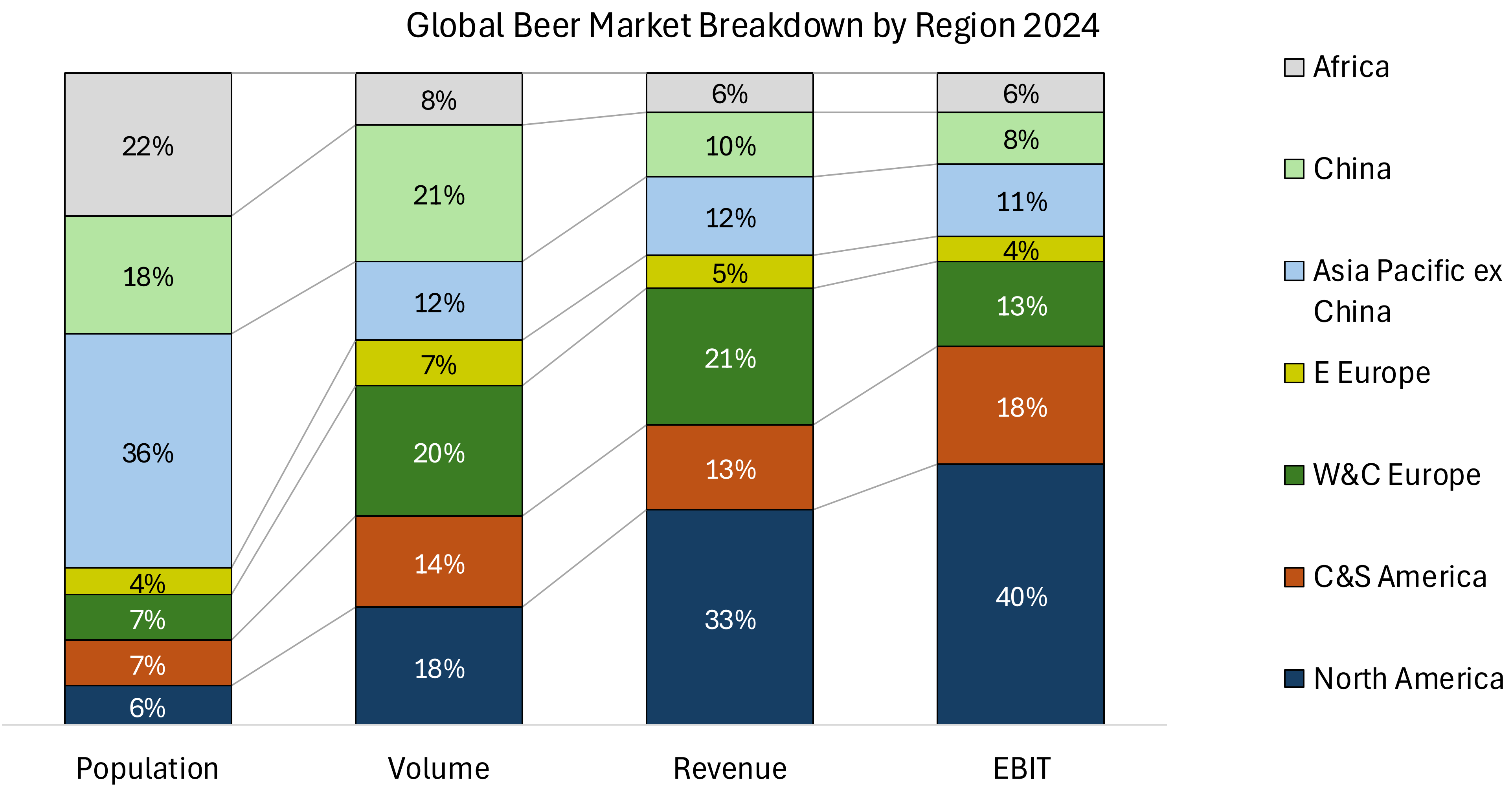
Beer within Global Alcobev Industry





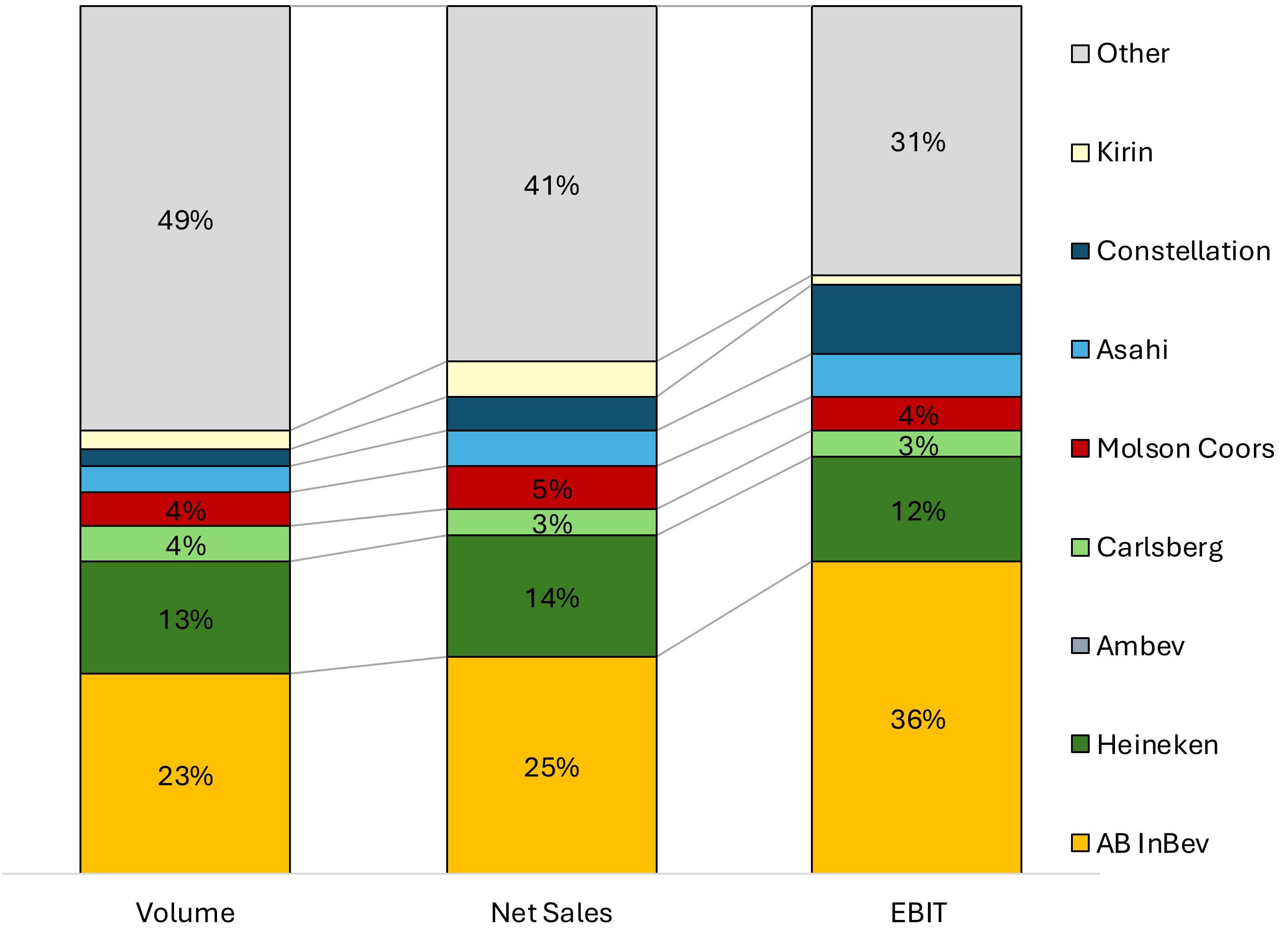
Source: IWSR, Euromonitor, PPFAS MF Research

Beer : Revenue & Profit Pool Geographically



Source: IWSR, Plato, Company reports, PPFAS MF Research

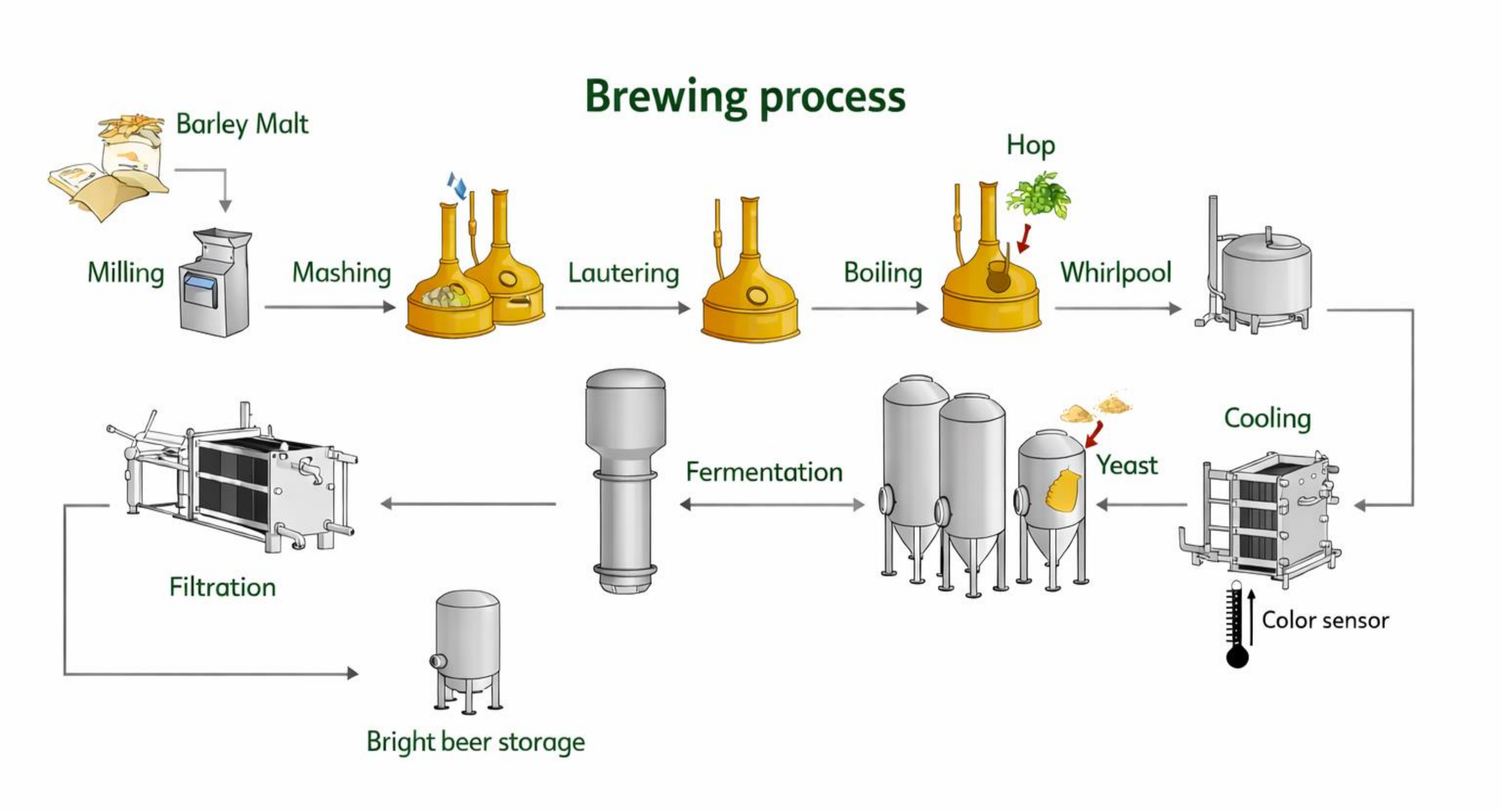
Beer : Revenue & Profit Pool Company wise



Source: IWSR, Plato, Company reports, PPFAS MF Research

Beer Industry Fundamentals

Brewing process



Source: Company Filings, PPFAS MF Research

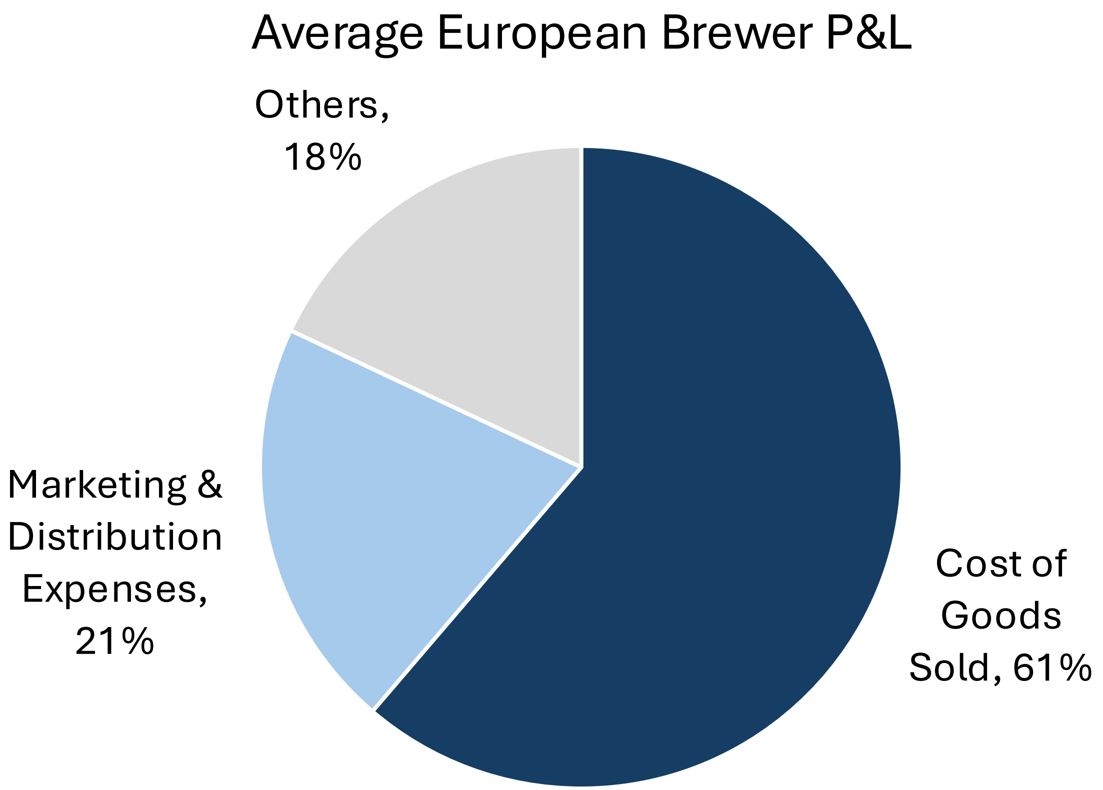
Craft Ale vs Lager

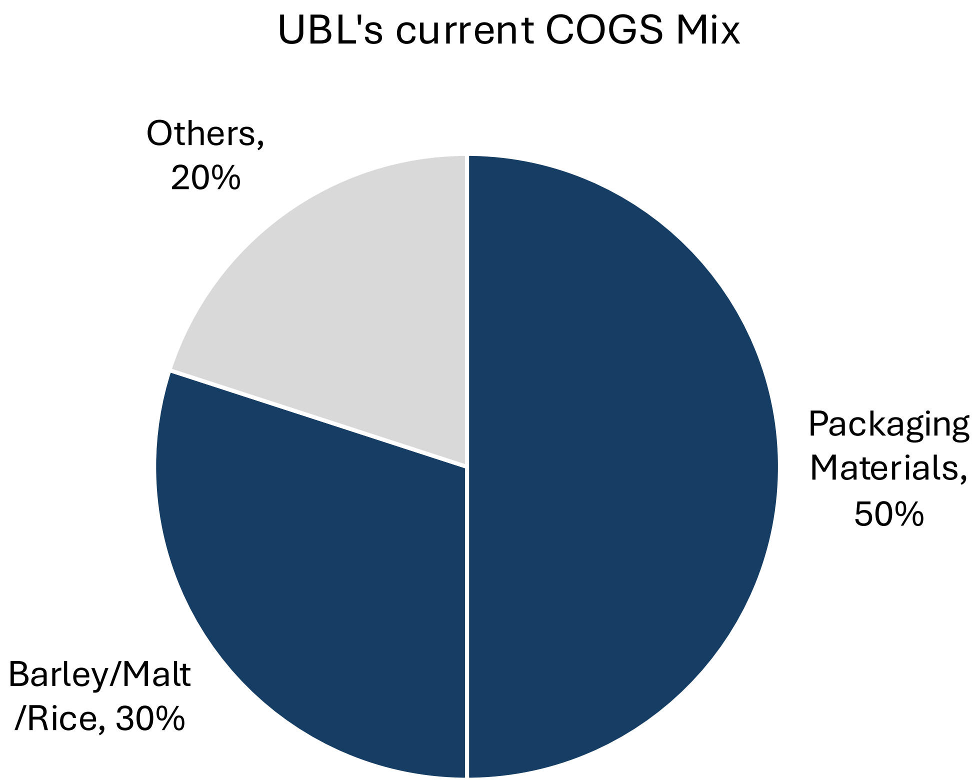
Craft ale		Lager
Specialty malts, wheat, rye, oats	Grain	Pilsner malt + corn/rice
Heavy, multi-stage, dry-hopped	Hops	Restrained, noble hops
Top-fermenting, 15-24°C Fruity esters, complex	★ Yeast	**Bottom-fermenting, 7-13°C** Clean, neutral, crisp
7-14 days + 1-3 wks conditioning	Time	14-21 days + 4-8 wks lagering
Minimal — hazy valued	Filtration	Heavy — crystal clarity
Small batch, premium priced	Scale	Mass production, value priced

2-6 wks	Bold	6-12 wks	Clean
Production time	Flavour	Production time	Flavour

Source: PPFAS MF Research

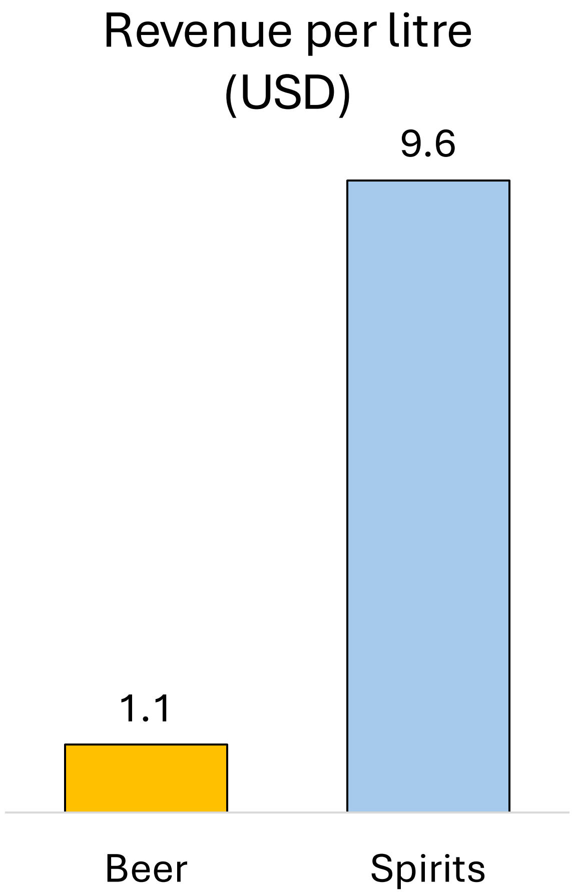
Cost Structure of Beer Companies

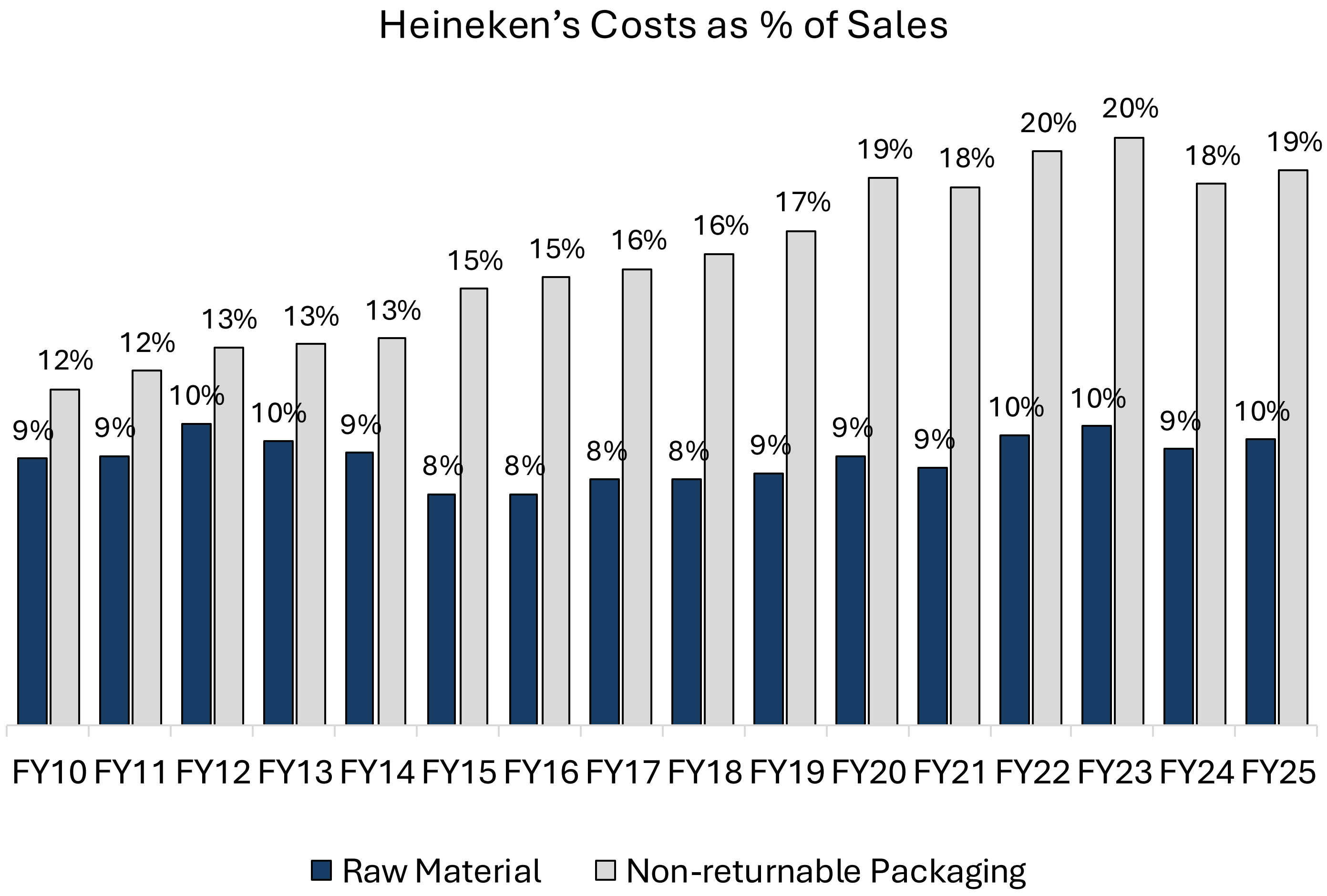




Source: Company Filings, PPFAS MF Research

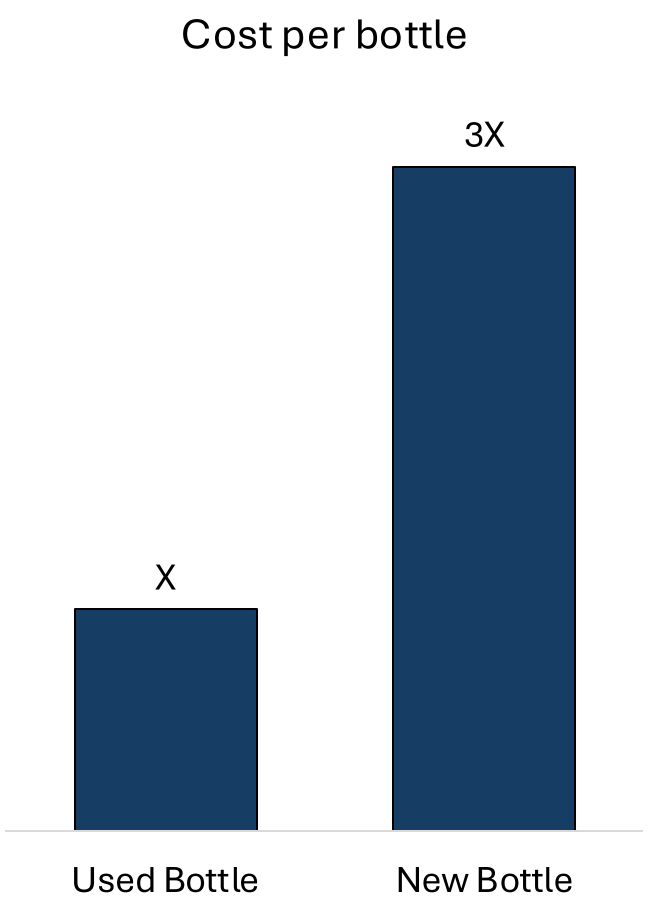
Cost Structure of Beer Companies

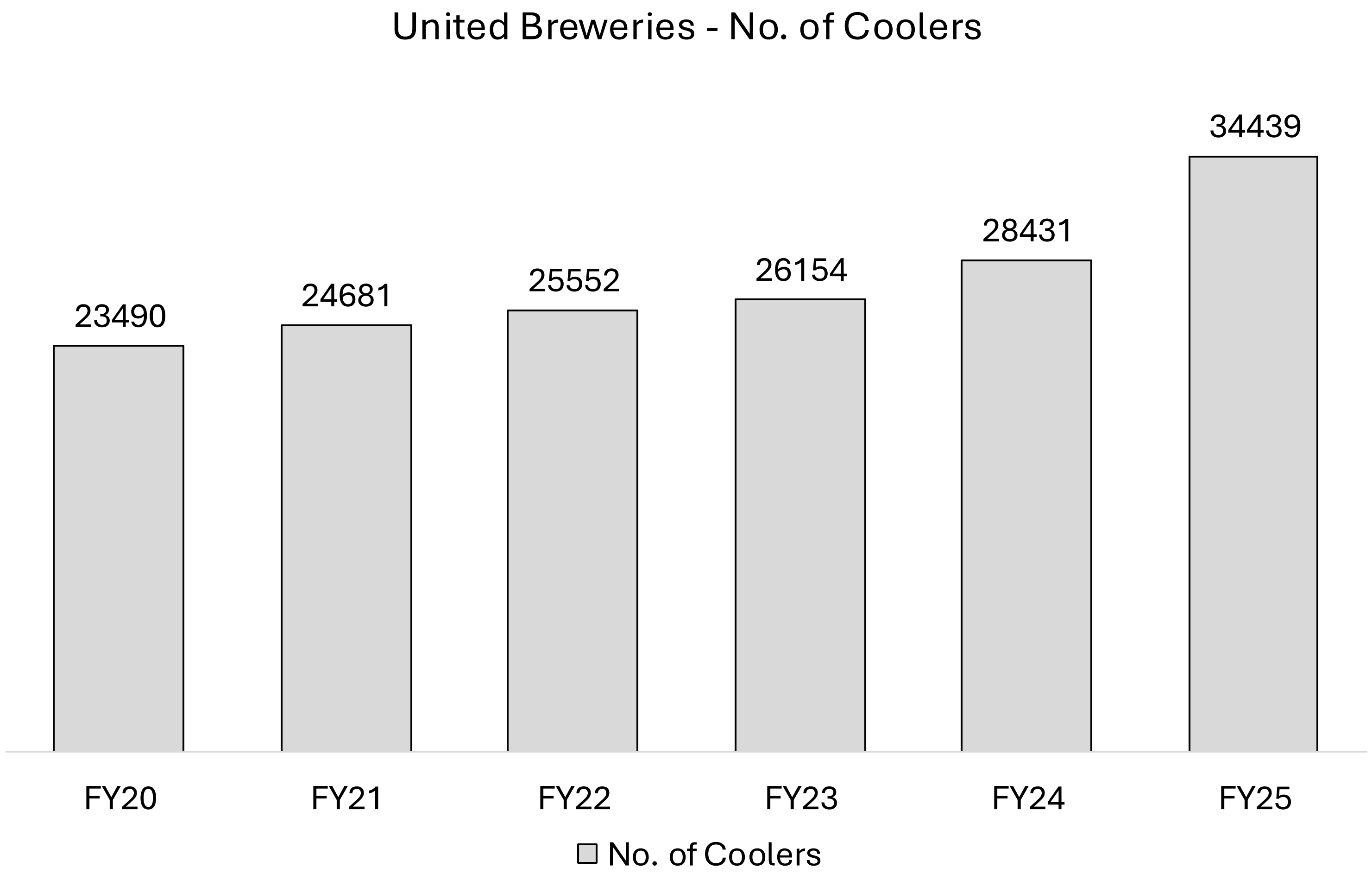




Source: Company Filings, PPFAS MF Research

Local supply chains – Coolers & Collection of Used bottles are important moats





Source: Company Filings, PPFAS MF Research

Branding and Marketing make a big difference

Branding and Marketing make a big difference

How Costco's Kirkland Signature Beer Finally Hit the Mark

Oregon's Deschutes Brewery is bringing new fizz to the megastore's formerly flat beer aisle. 'It's incredible. The cost-to-value is insane on this beer.'

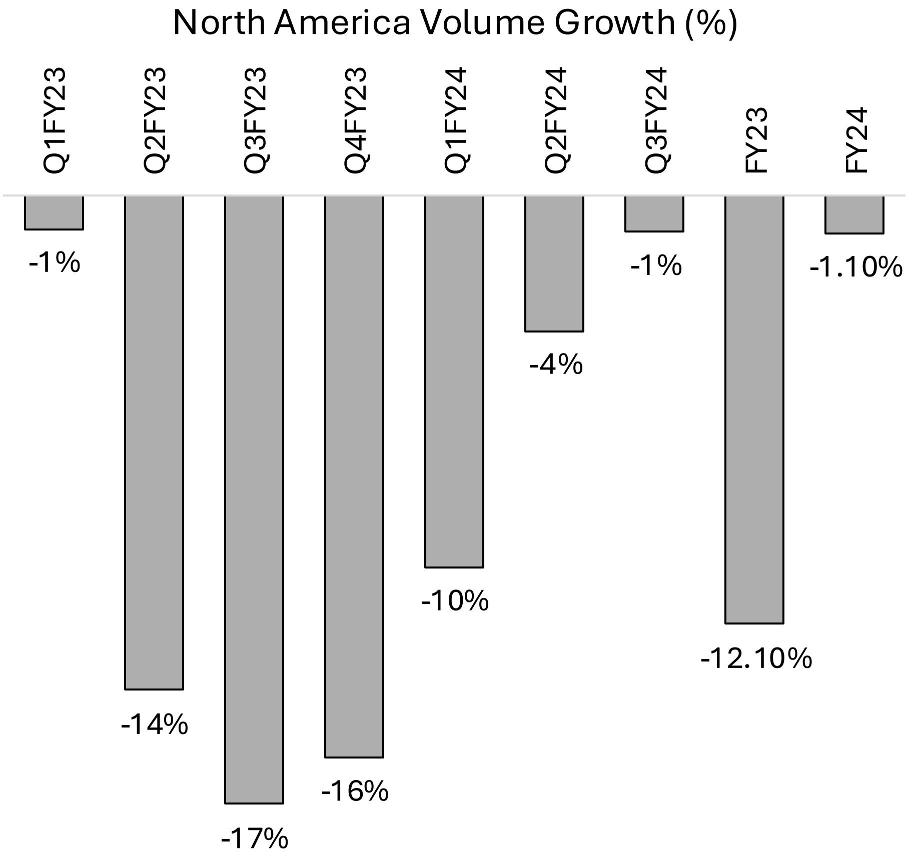
"With beer, there's a more personal connection to brands," said Dave Williams, the president of Bump Williams Consulting, a beverage-alcohol consultancy.

Source : Wall Street Journal

BudLight Controversy

"Some of InBev's success in selling Budweiser will forever be based on global political climate, which puts it outside of InBev's control"

- Julie Macantosh, Dethroning the King



Source: Company Filings, PPFAS MF Research

Beer vs. Spirits

- Beer has lower shelf life then Spirits
- Beer needs to be served chilled
- Packaging and Distribution costs as a % of Revenues are higher for Beer companies than for Spirits companies

Beer (like Spirits) is highly Regulated

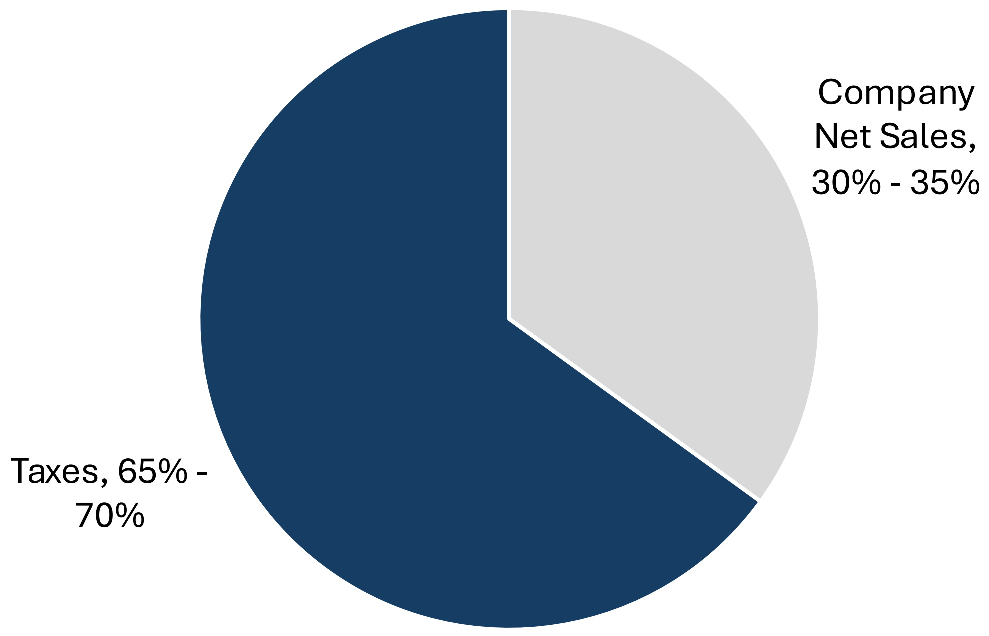
US – Three Tiered Distribution System

- Most states prohibit the same company from being present in each of the three tiers
- Regional Exclusivity of Distributors
- Franchise Laws

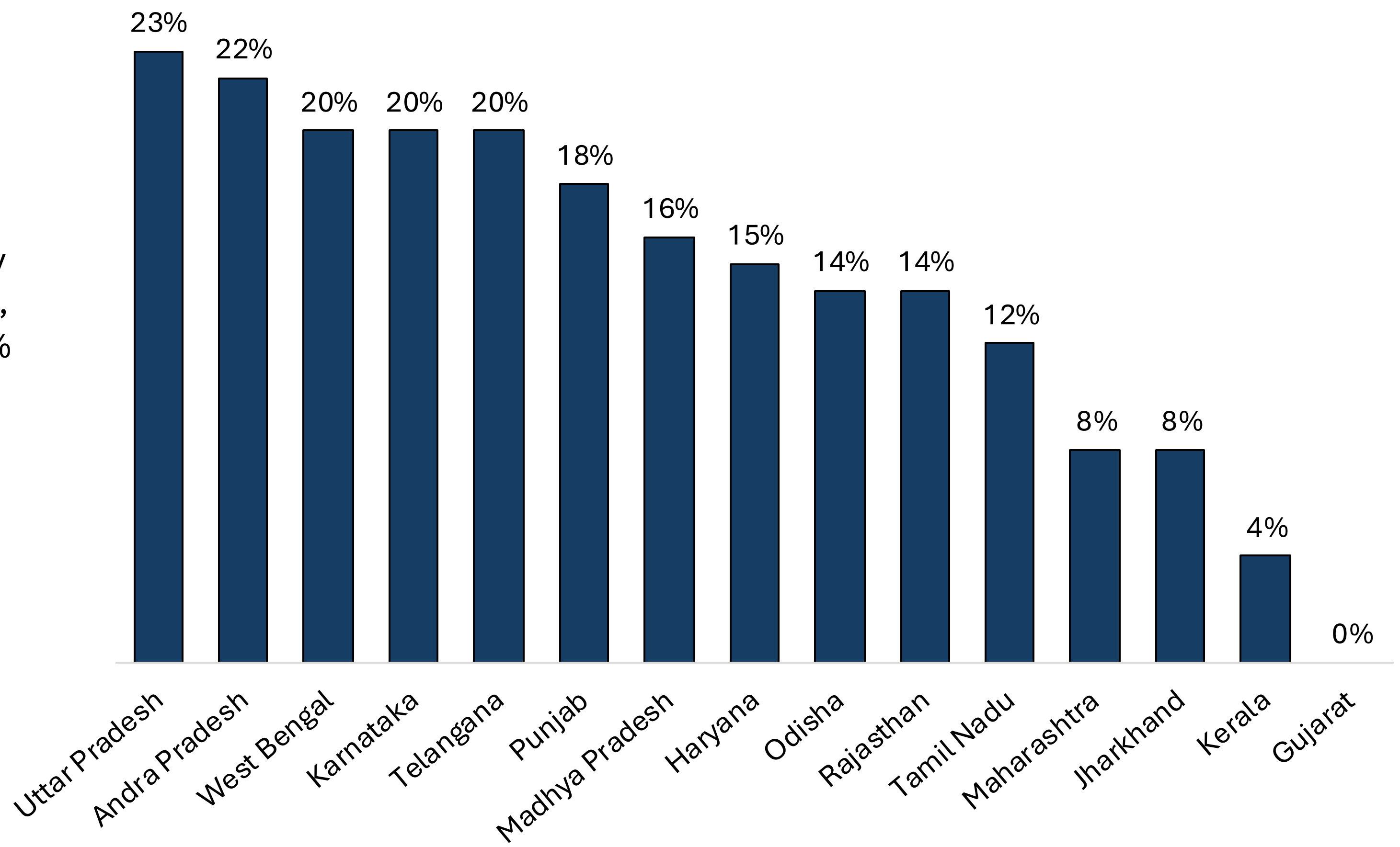
The end impact has been a concentrated Distribution tier which favors a concentrated market for Producers

India – Alcohol is a state subject and is taxed very heavily

Split of Consumer Spends on Alcoholic Beverages



% of own tax collection



Source : Government, PPFAS MF Research

India : Each state is a separate market

- Separate registration of brands and labels in each state
- Restriction and taxes in interstate movement of alcohol
- Regulated distribution in certain states with govt. acting as a wholesaler (intermediary)
- Restriction on the number of licensed outlets with high licensing fees
- In certain states, govt. also owns all the retail stores and controls end-to-end distribution
- Restriction on taking product price hikes especially where govt. is involved in distribution

Unintended consequences of Regulations

Fall Of Bira 91: How A Name Change Led To Beer Brand's Dramatic Collapse

A minor legal name change from B9 Beverages Private Limited to B9 Beverages Limited has triggered regulatory hurdles, halted sales and intensified employee unrest at Bira 91.

Edited by: NDTV News Desk | India News | Oct 11, 2025 22:23 pm IST

Read Time: 3 mins

Trusted Source on G | Share

Liquor distribution in India is limited to 100,000 outlets only vs. ~10mn outlets for FMCG

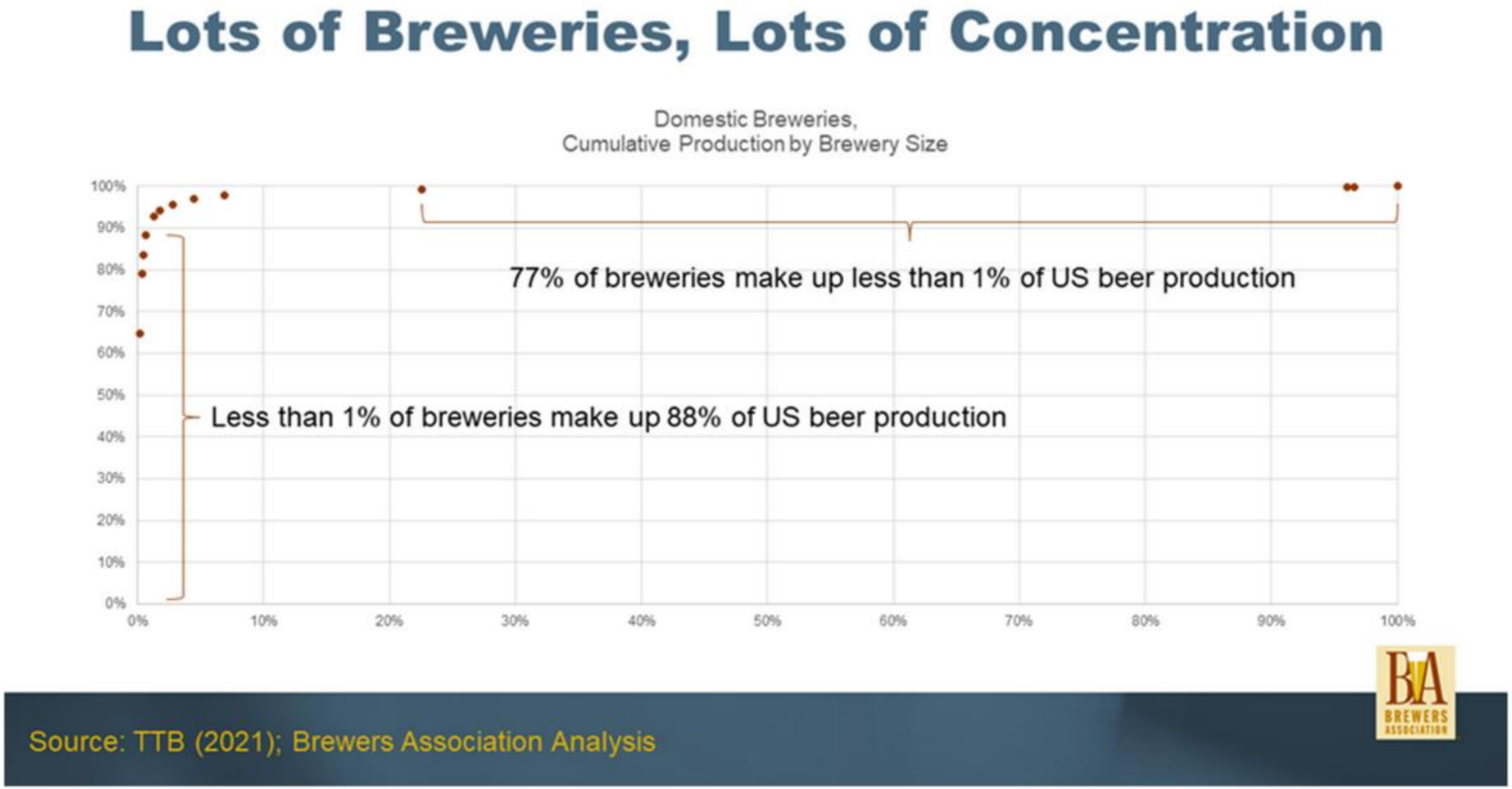
Liquor store in Haryana

Liquor store in Chhattisgarh

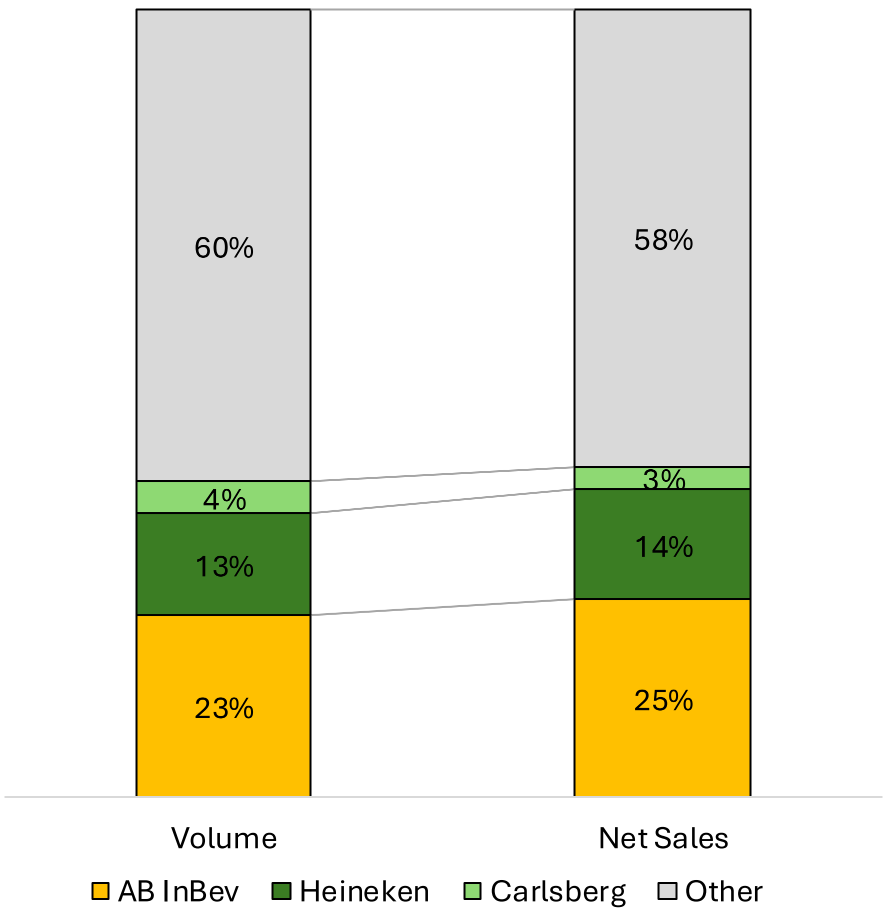
Source: PPFAS MF Research

Beer industry structure : Barbell of Market shares

US : Concentrated at top but fragmented at bottom



Concentrated at top but fragmented at bottom



Source: IWSR, Plato, Company reports, PPFAS MF Research

BEER CRUNCHERS

What a Brewery Founder Would Do Differently

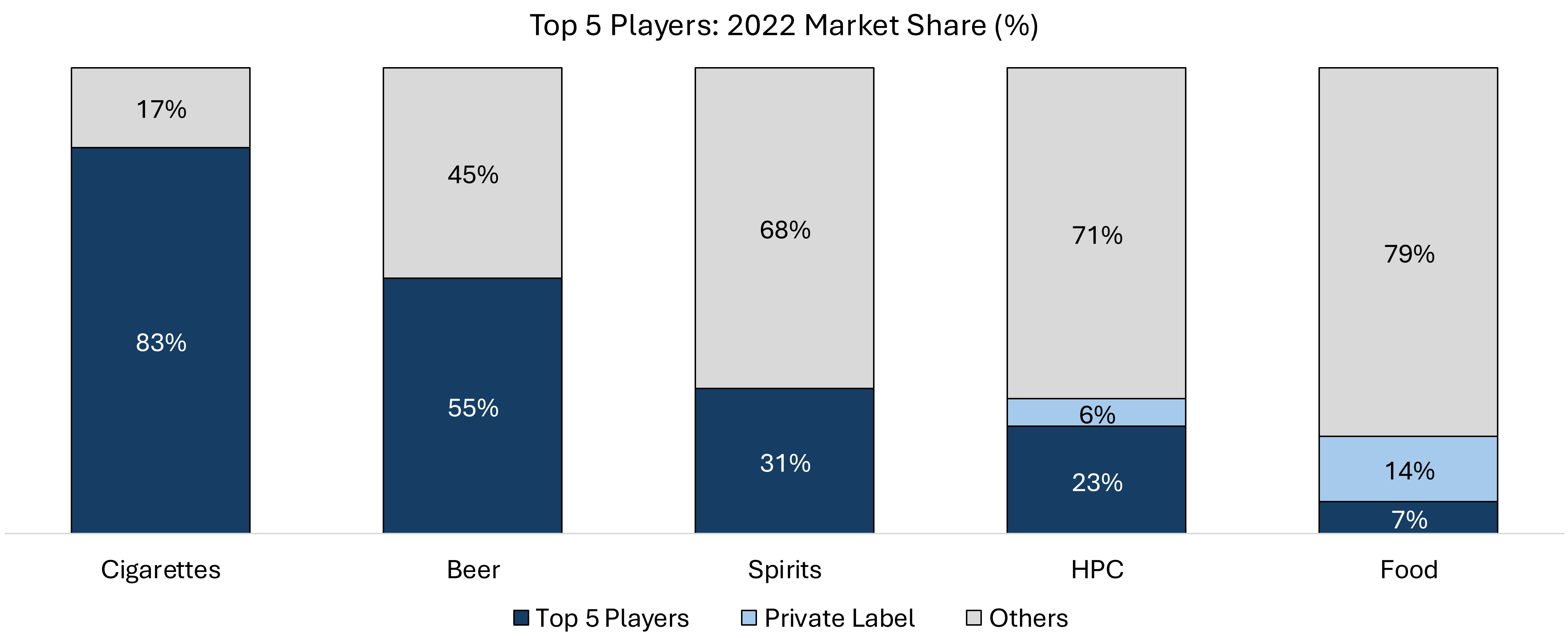
DOUG VELIKY

MAR 03, 2026 · PAID

"Distribution has become increasingly challenging for craft breweries since the pandemic. The combination of cooling demand for craft beer and the emergence of new beverage segments has limited new opportunities at retail and made it extra competitive for share of mind with distributors"

Source: Beer Crunchers Substack

Hardly any private label presence



Note: Cigarette Share is by Volume, others by Value

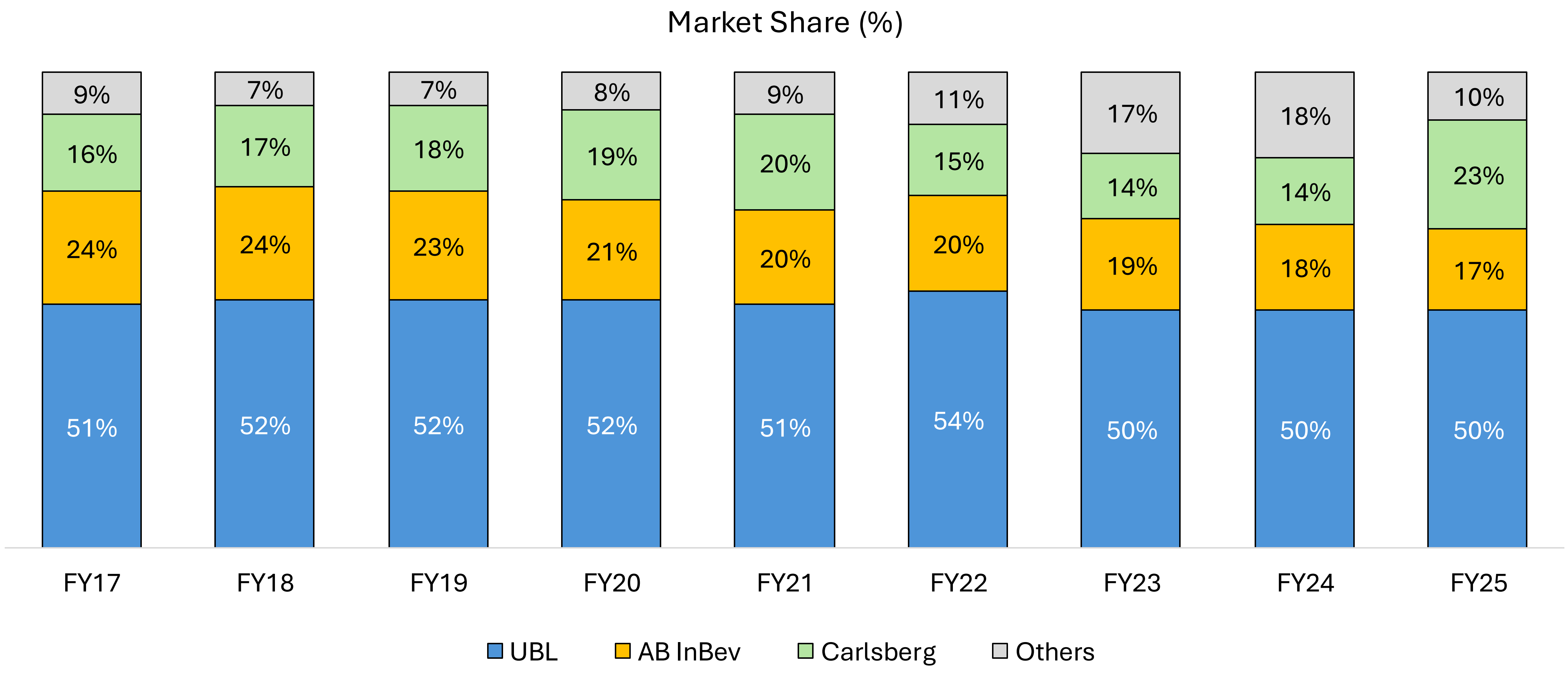
Source: IWSR, Euromonitor, PPFAS MF Research

Drivers of Consolidation at the top

- Substantial Marketing and Branding Costs
  - ABI/Heineken spend on average 11% of Revenue on Marketing & Sales
  - Smaller players find it difficult to establish a national presence

- Regulated production and distribution
  - Alcohol sales licenses and regulations like 3 tiered distribution
  - Makes it very difficult for smaller brewers to gain shelf space at a National level

Indian Market is also highly Consolidated



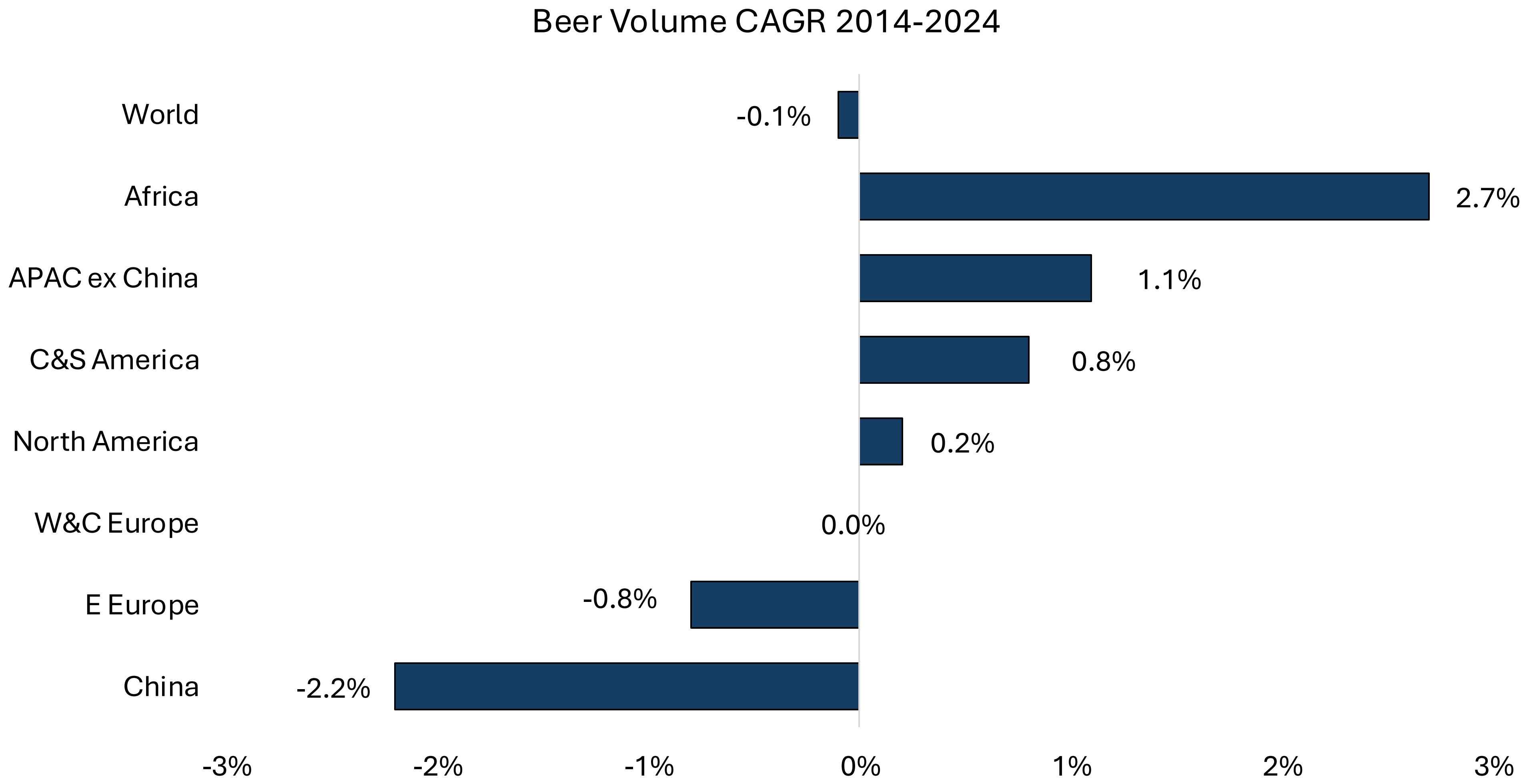
Source: Company reports, PPFAS MF Research

I like Beer (not because of the alcohol)

- Beer is FMCG
  - Consumed widely globally
  - Large Profit Pool
- And yet not FMCG
  - Economics are highly local
  - Highly Regulated Sales and Distribution
- Beer is like Spirits as it has Alcohol content
- And yet not like Spirits
  - Lesser shelf life
  - Needs to be served chilled
- Industry is Concentrated at the Top And Yet Fragmented at the Bottom

So… What's not to Like?
Growth!

Global Growth has been sluggish
EM growth offset by flattish growth in DM

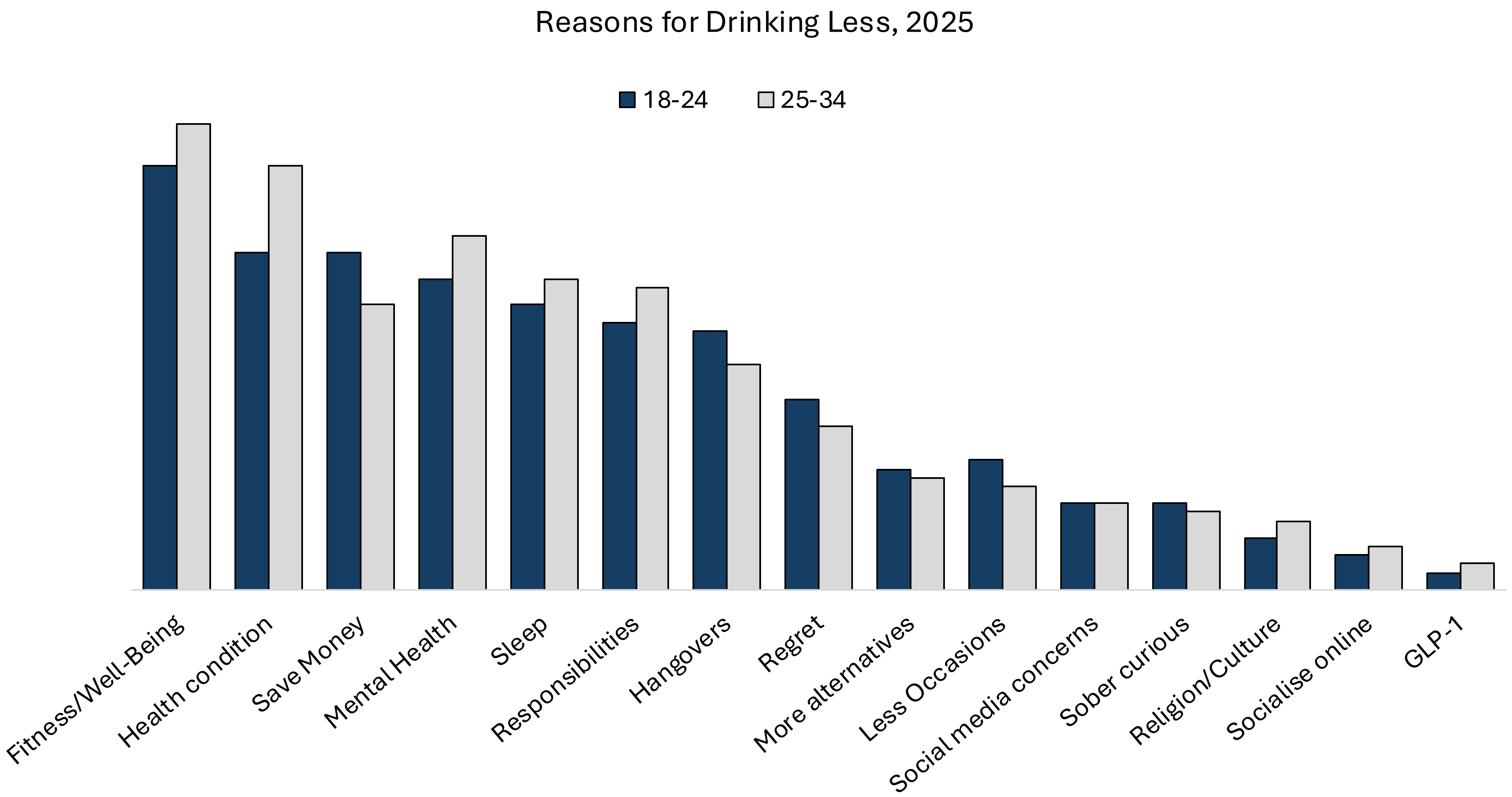


Source: IWSR, PPFAS MF Research

Why are developed markets seeing sluggish growth?

Structural
- Health and Wellbeing concerns with Alcohol
- Less Socialising

Cyclical
- Economical - Weak disposable incomes

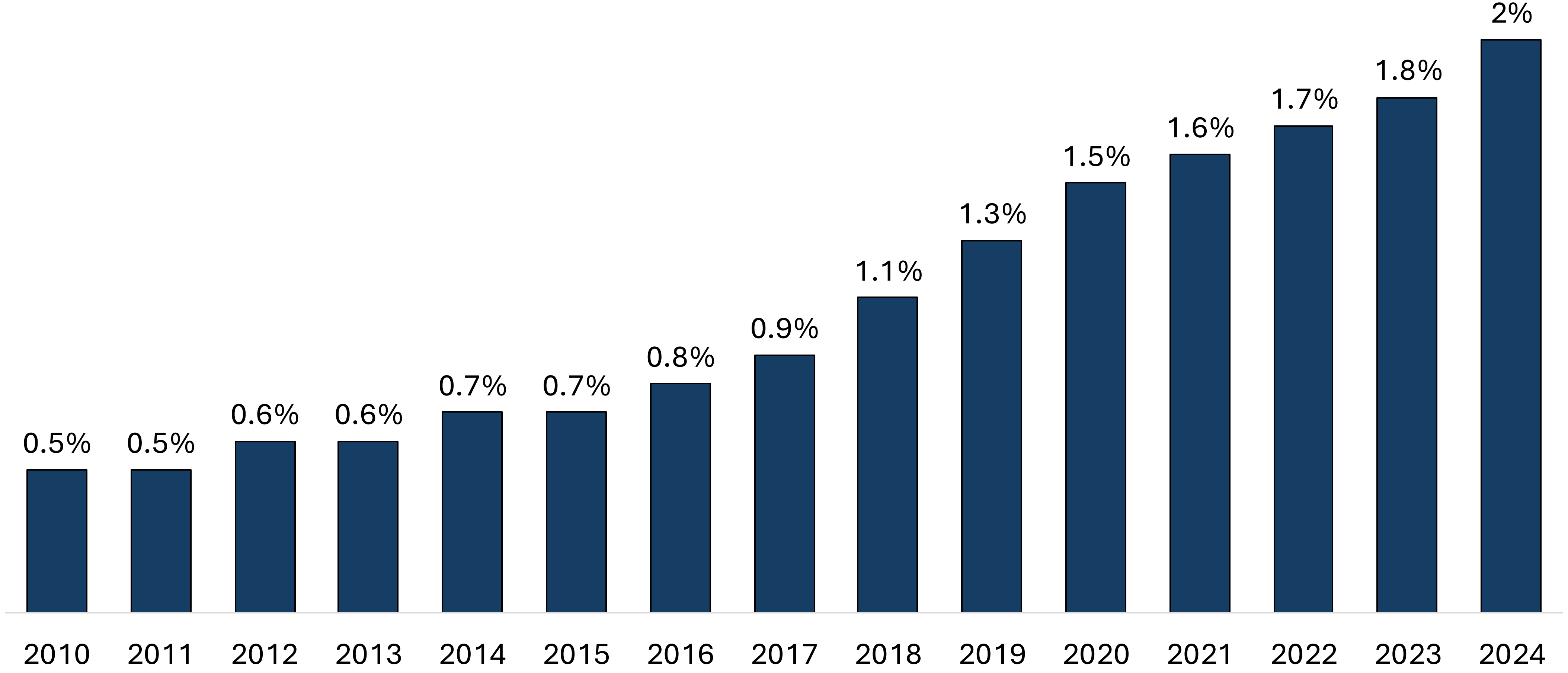


Source: PPFAS MF Research

Where does growth come from

1. Emerging Markets
2. High Growth Segments like Imported Beer in USA
3. Newer categories : Non Alcoholic Beer

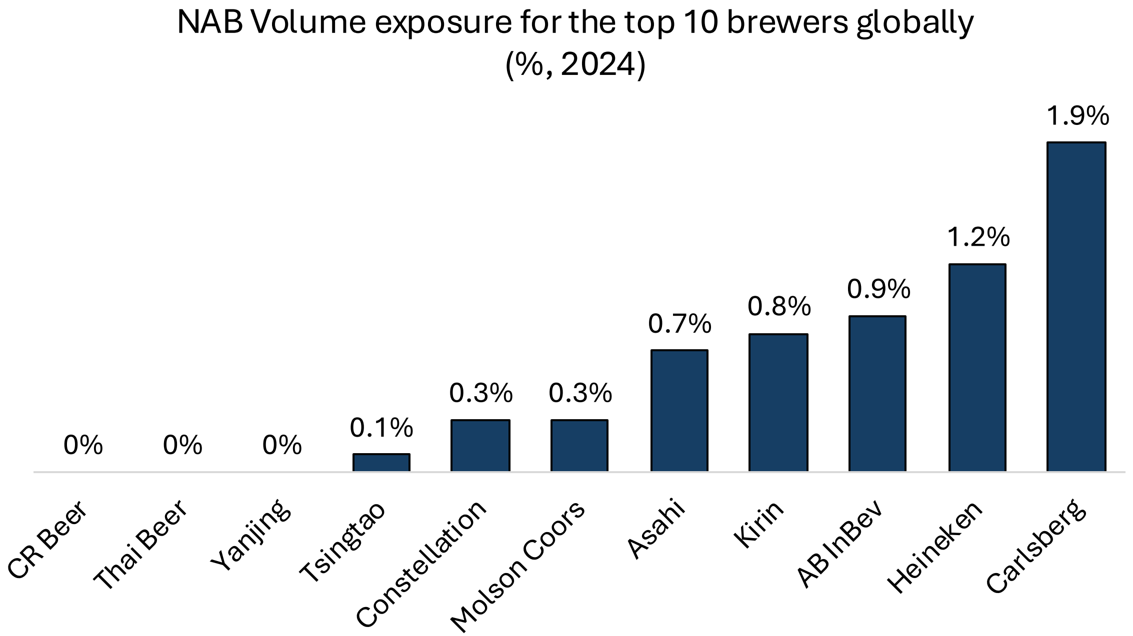
Non alcoholic Beer has gained share of throat from Alcoholic Beer especially since 2017



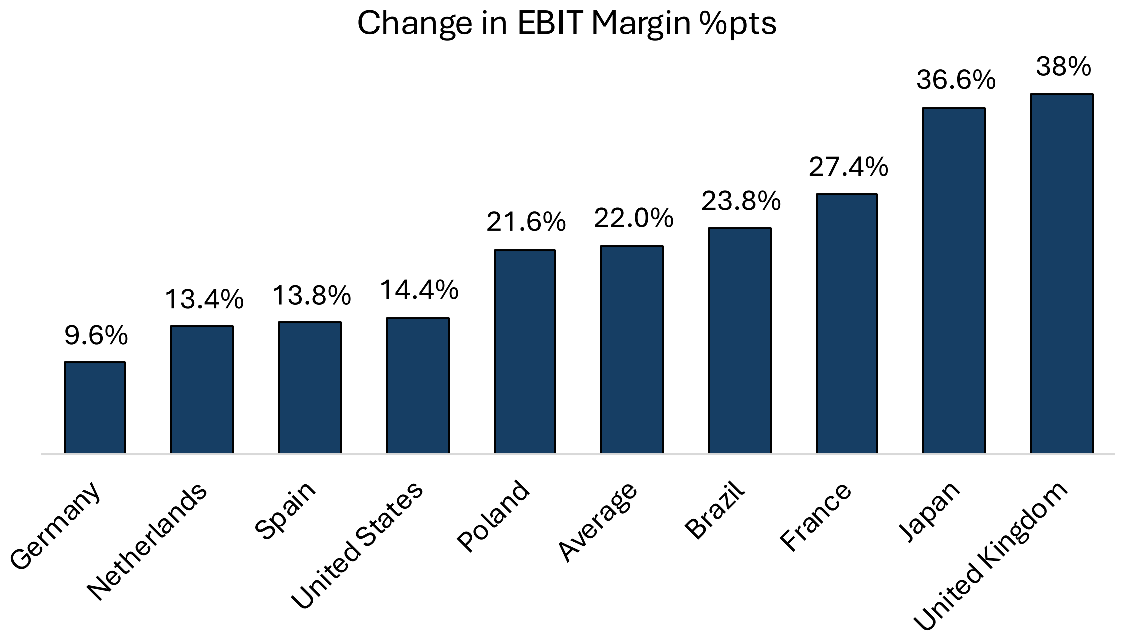
Source: IWSR, PPFAS MF Research

Non alcoholic beer is growing and profitable but from a very small base

Among top 10 brewers, Carlsberg leads with 1.9% of its total beer volume from NAB



NAB Margins can be 10%pts – 40%pts higher than full-alc beer

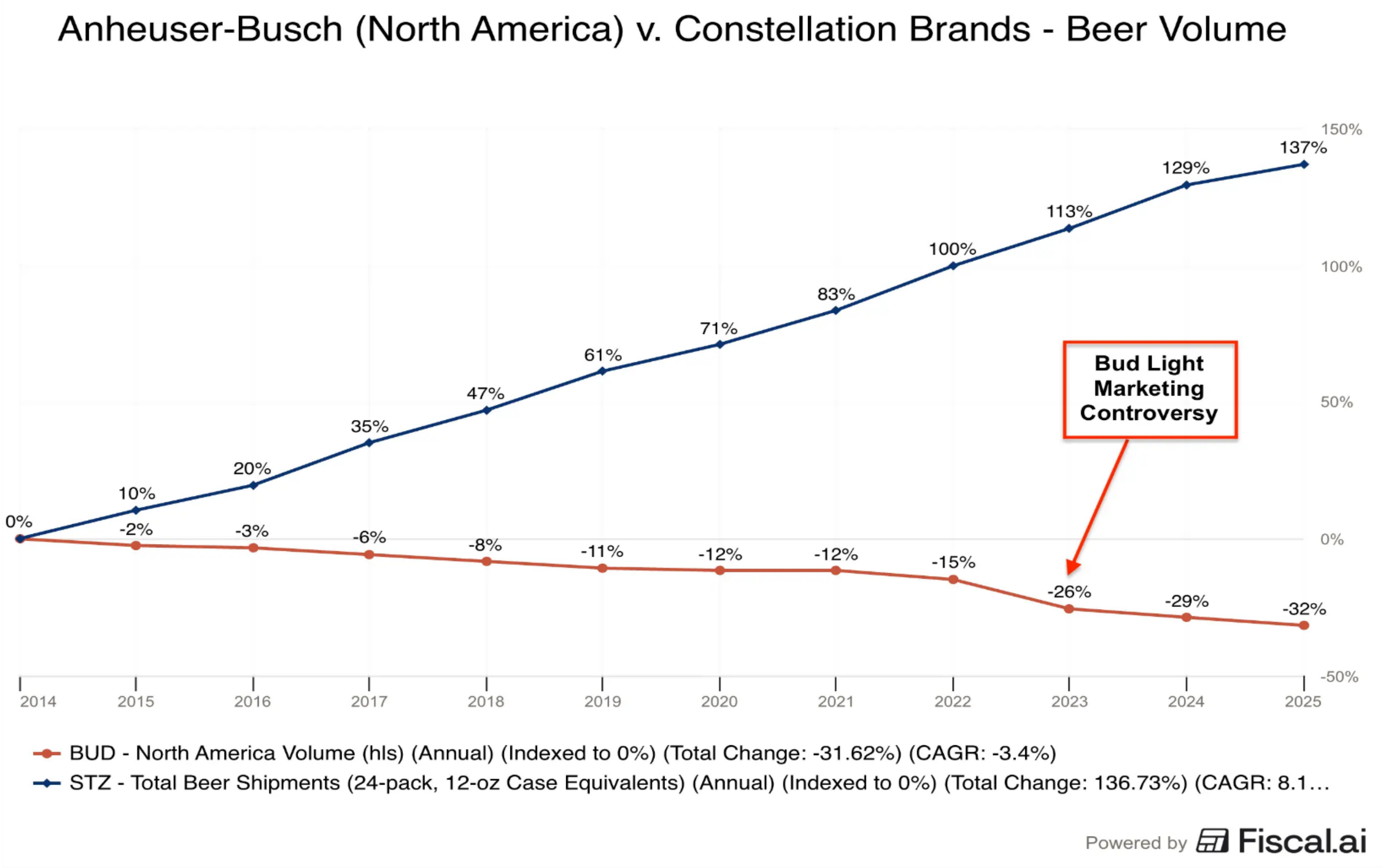


Source: IWSR, PPFAS MF Research

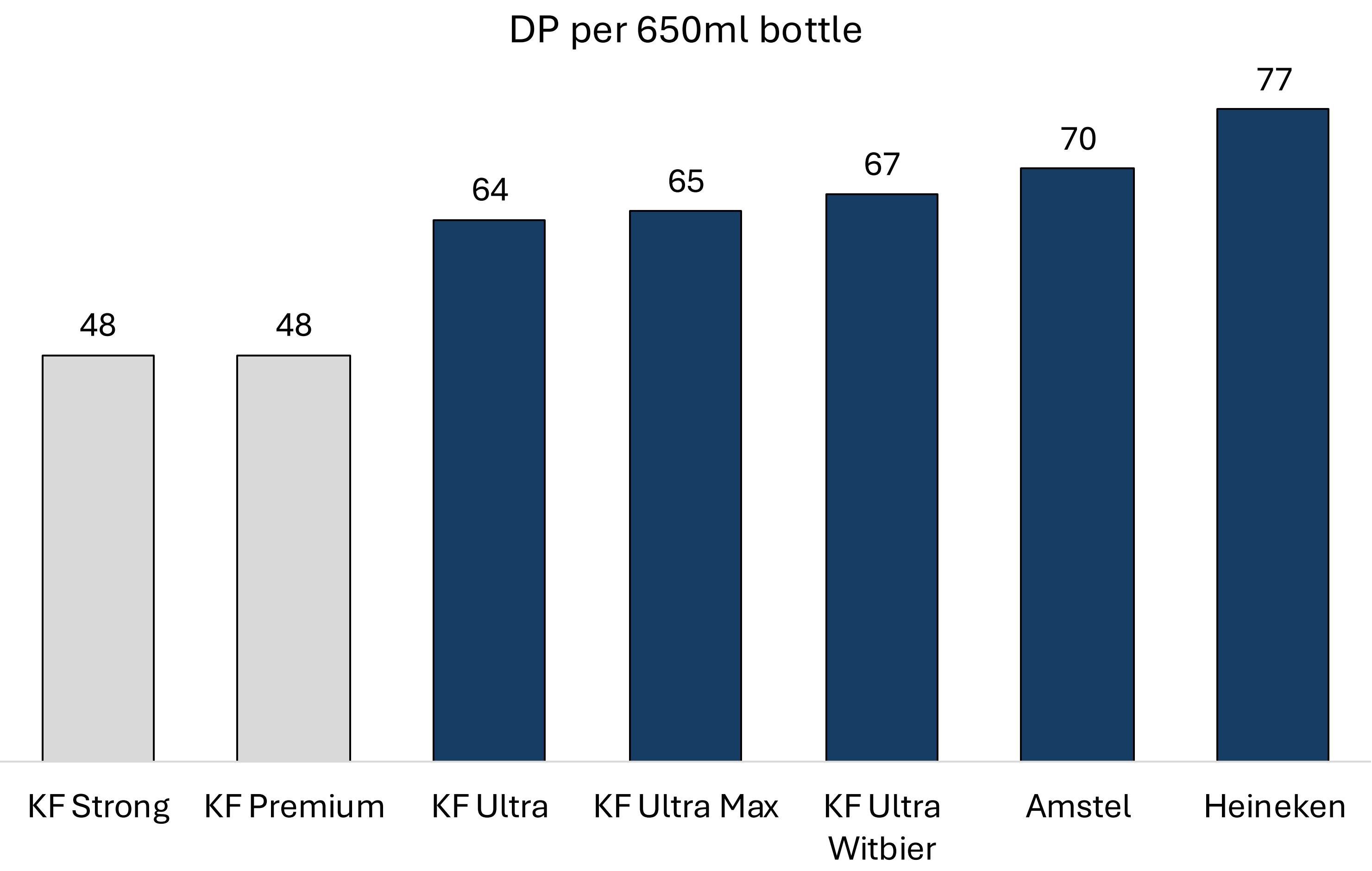
How can companies create value?

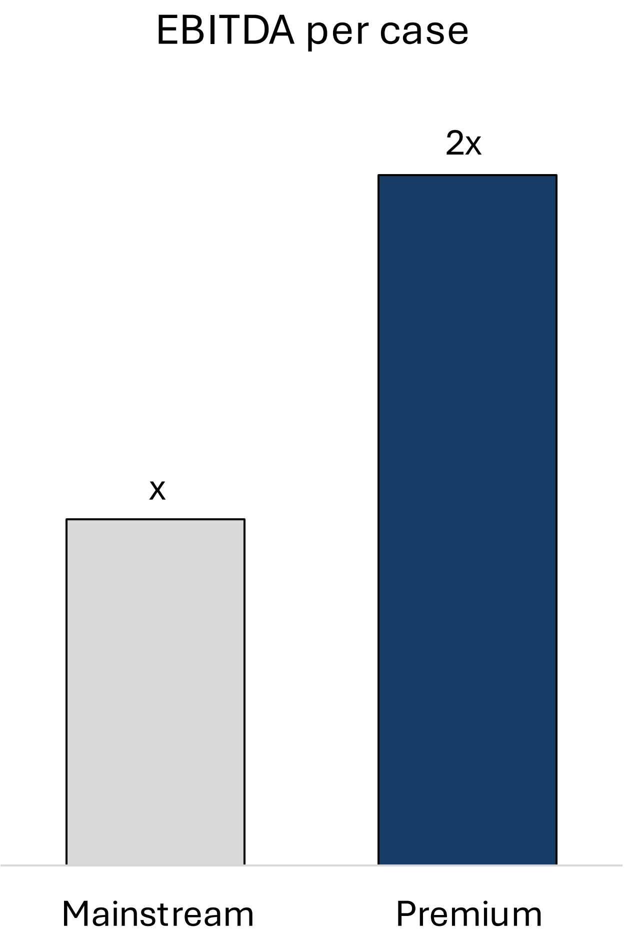
Growth depends on Geography and Product Segment

- Higher Presence in Emerging Markets leads to higher growth
- Presence in Higher growth categories



Premiumisation and Profitability

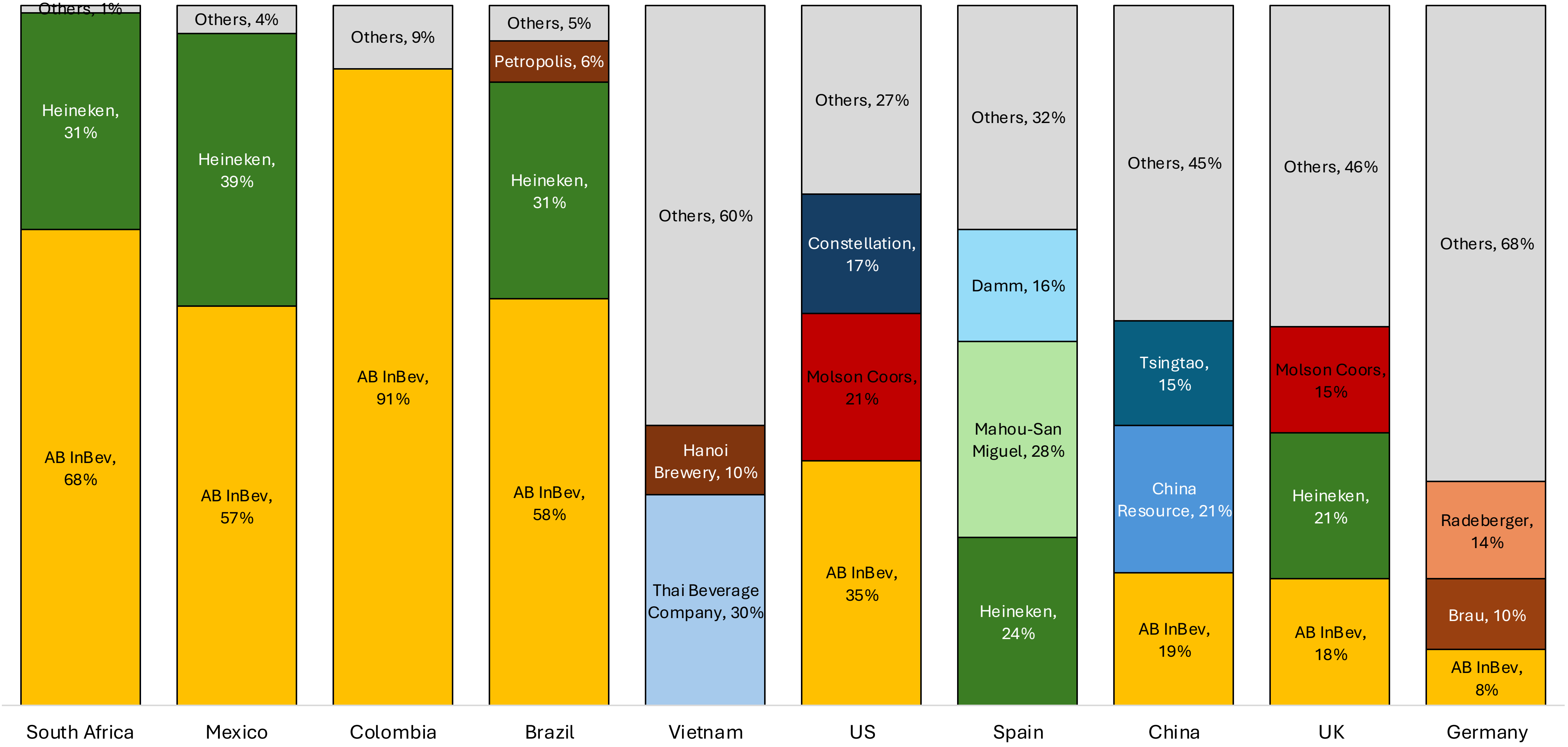




DP : Declared Price before levy of excise duty

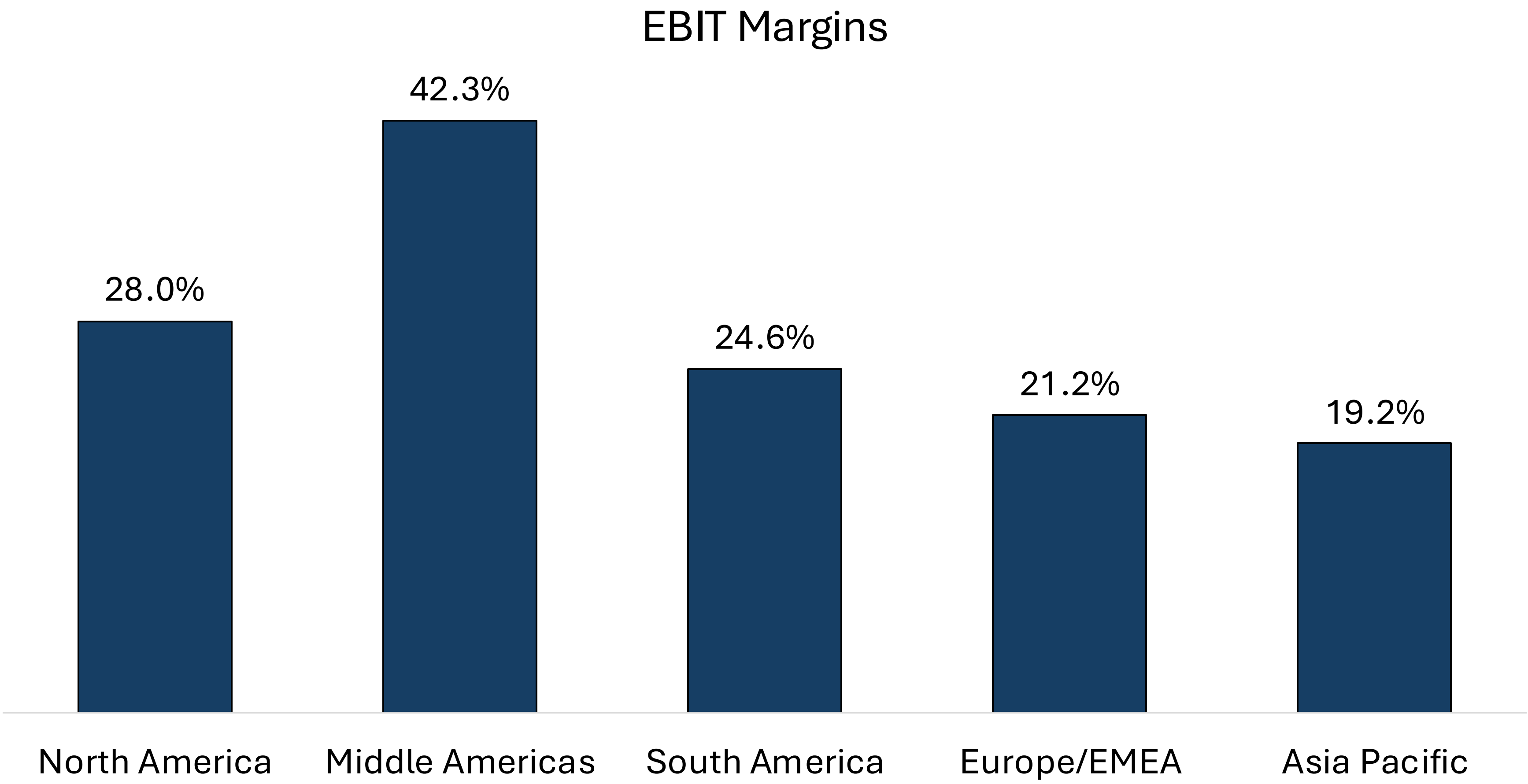
Source: Company Filings, PPFAS MF Research

Consolidated markets provide higher profitability



Source: Company Filings, PPFAS MF Research

Consolidated markets provide higher profitability



Source: Company Filings, PPFAS MF Research

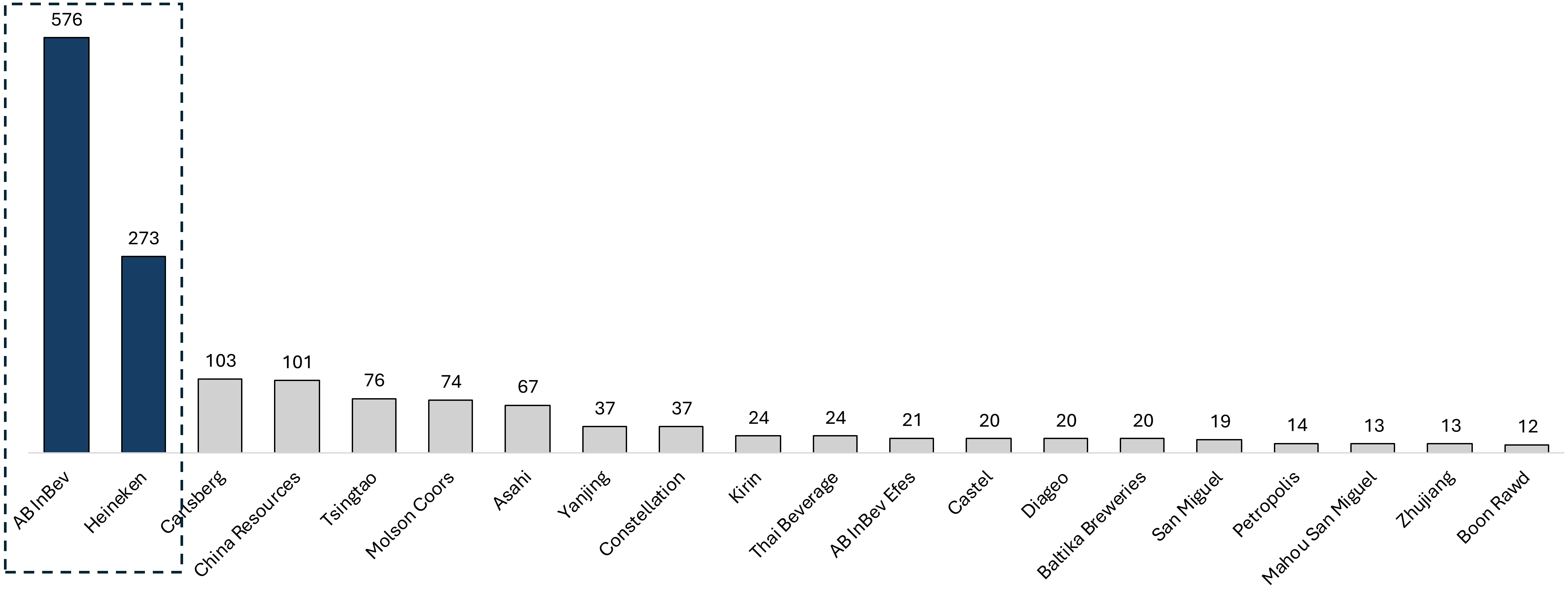
What are the key factors driving Beer company success

- Scale
  - Advertising and Distribution Scale can be a Moat
- Geographic Presence
  - EM vs. DM
  - Consolidated markets vs. Fragmented markets
- Product Segments
  - Mass Market vs. Premium
  - Higher growth Product categories
- Management Efficiency and Execution

Financial Comparison : AB InBev, Heineken, United Breweries Ltd

AB InBev and Heineken Significantly Outscale Other Brewers in Volume (Mn Hl)

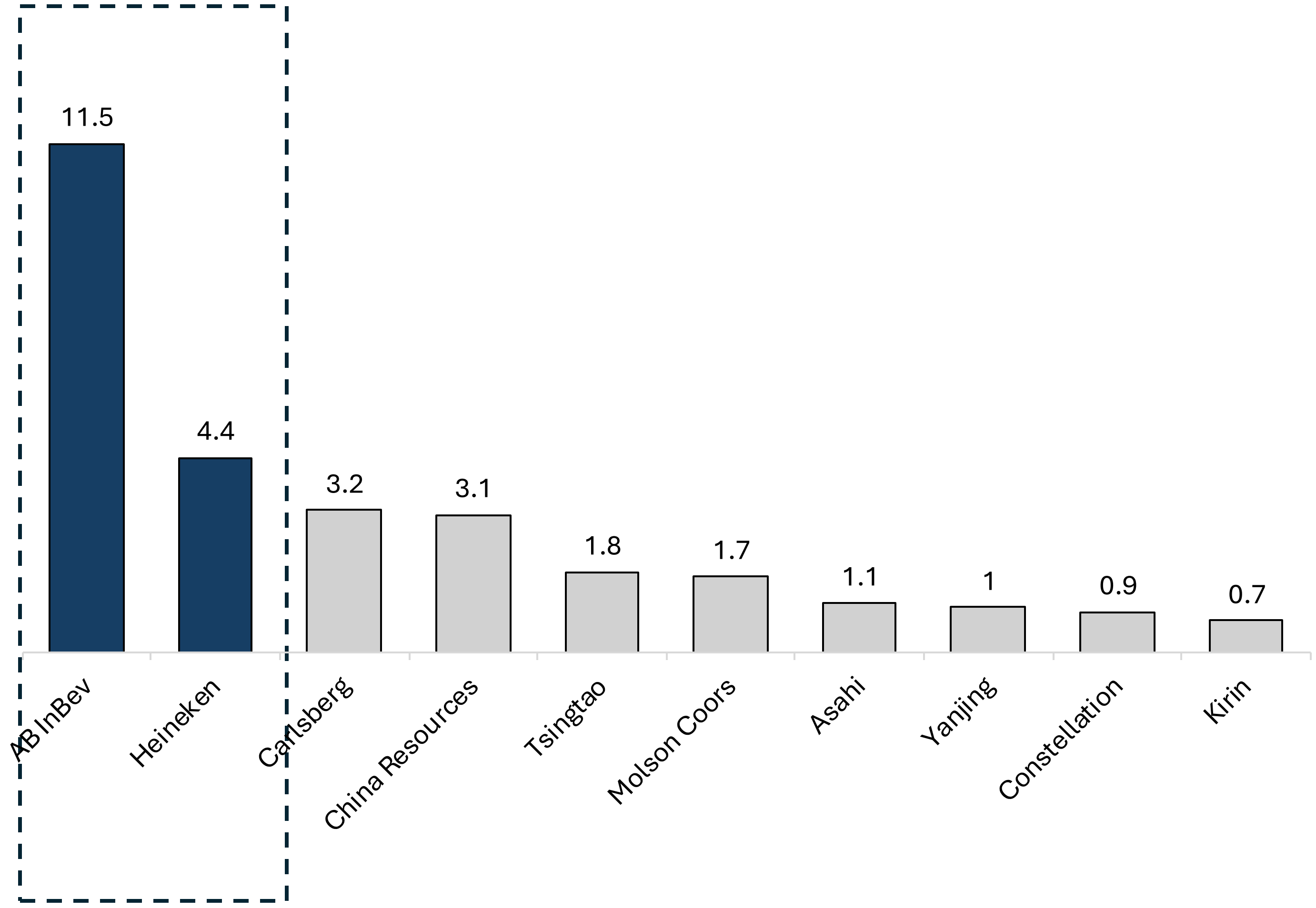
AB InBev's 576 Mn Hl volume is over 2x Heineken and far above peers

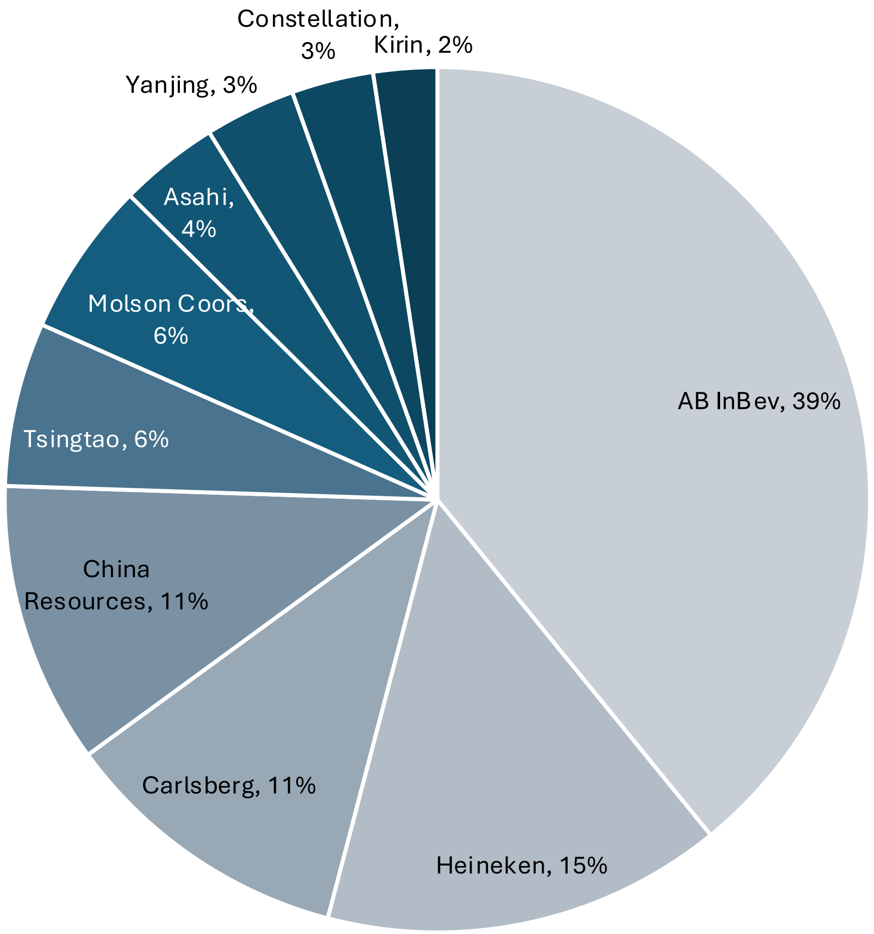


Ambev volumes are consolidated within AB InBev as it is a majority-owned subsidiary.

Source: Company Filings, PPFAS MF Research

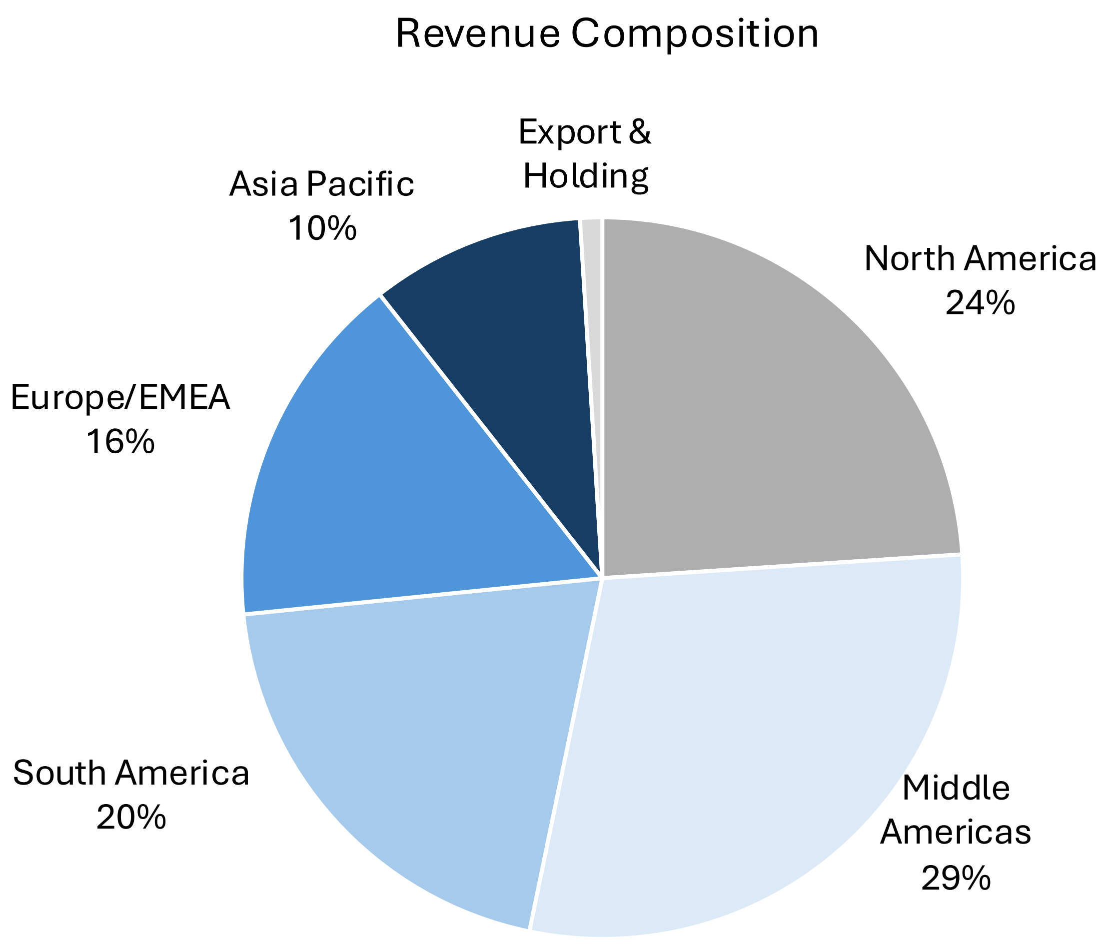
AB InBev and Heineken Also Lead in Profitability (EBIT $ Bn)

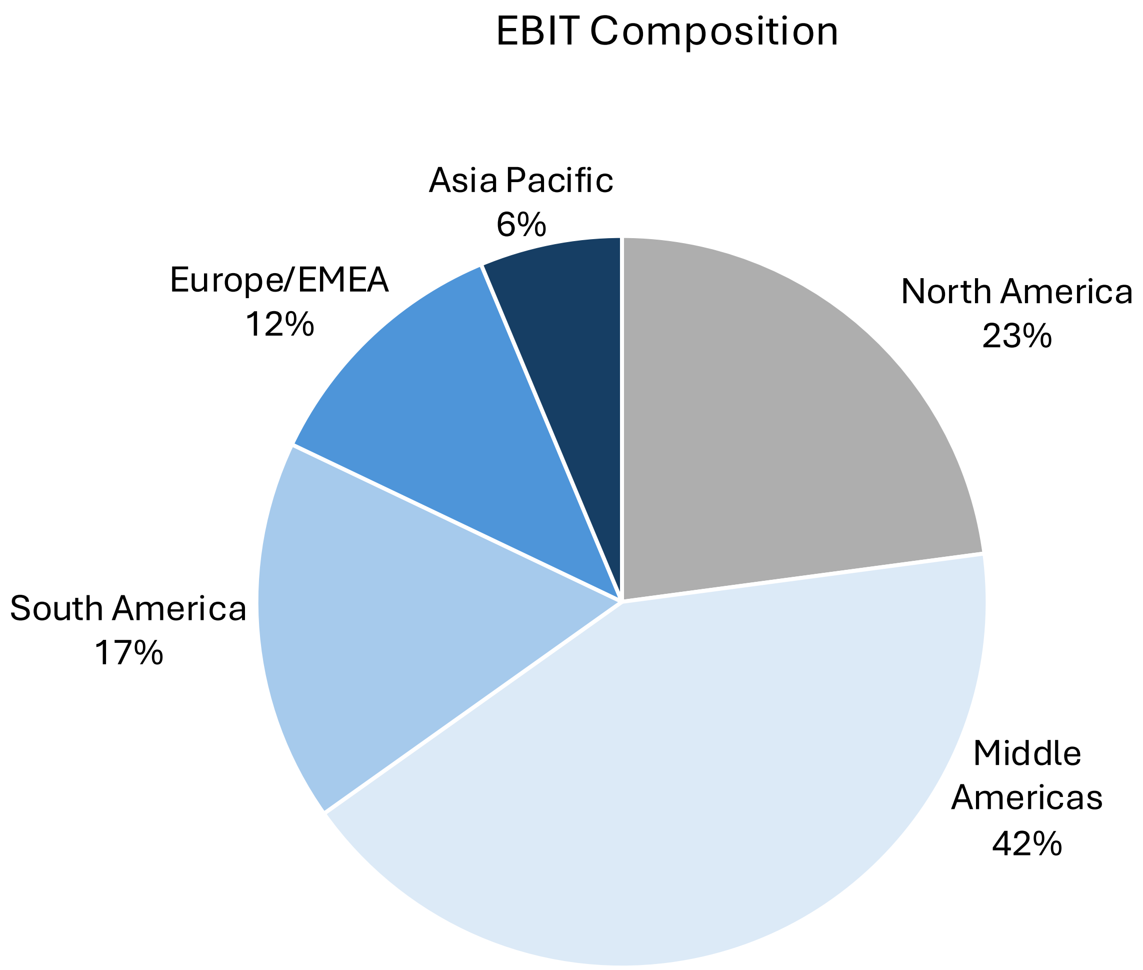




Source: Company Filings, PPFAS MF Research

ABI





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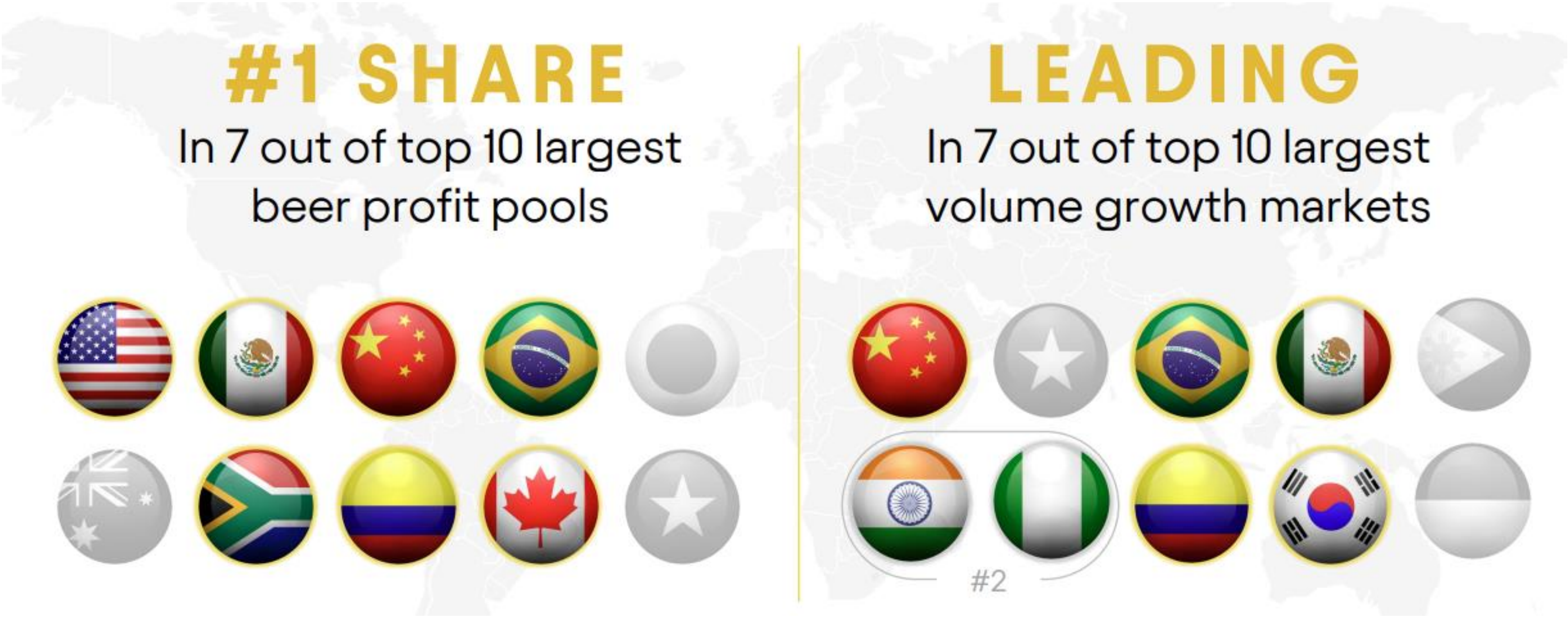

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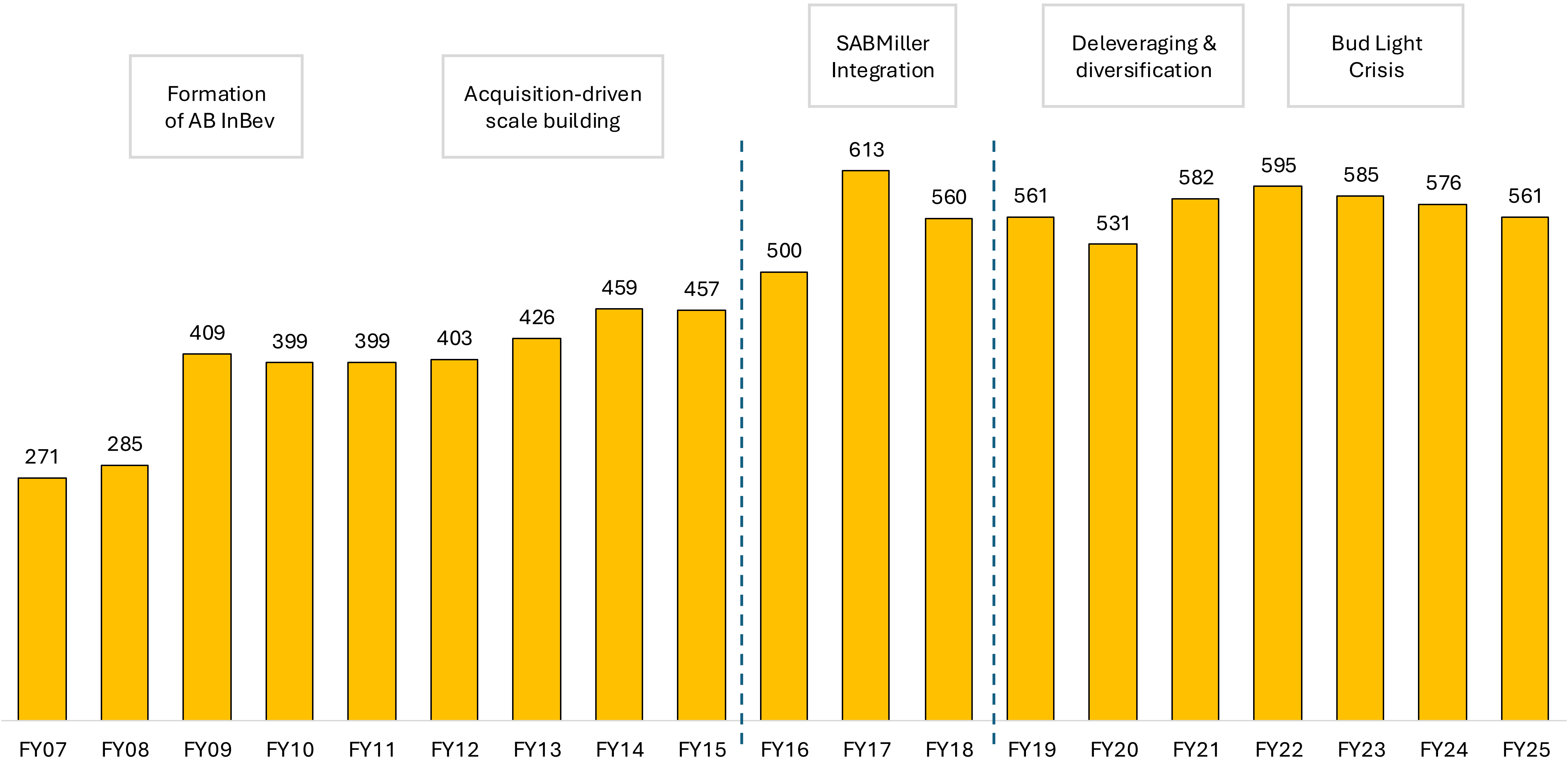
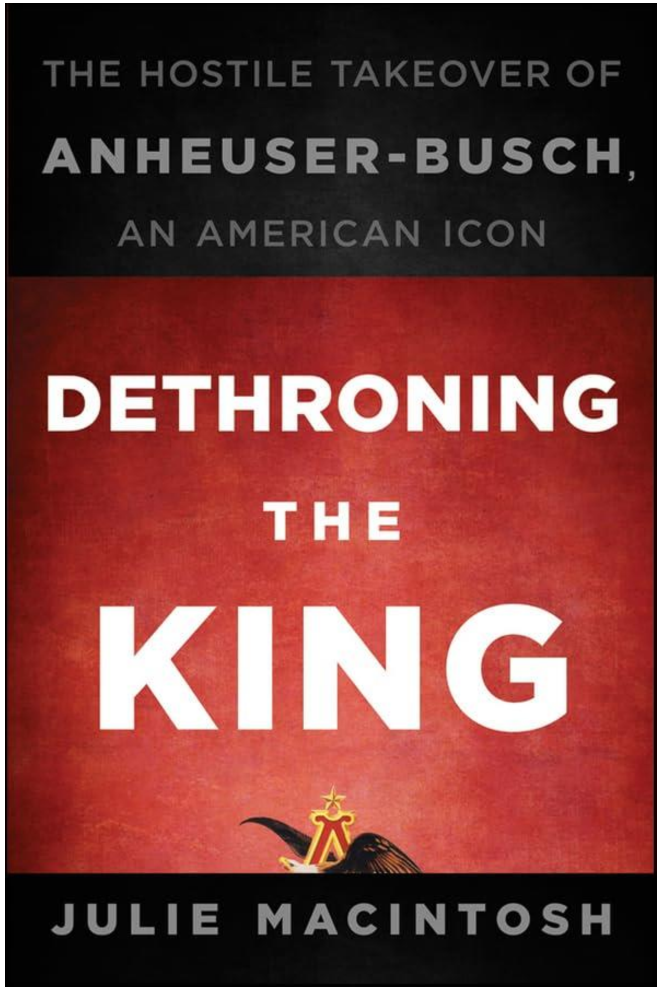


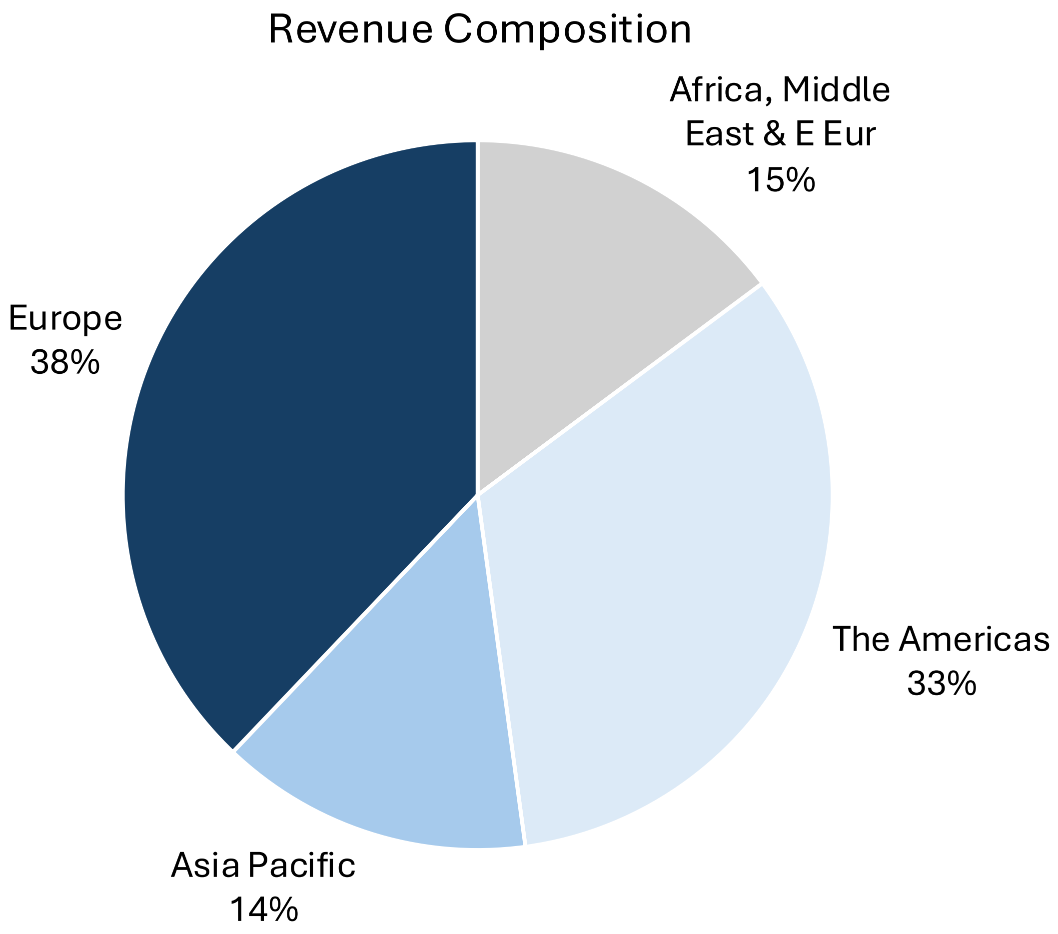
Source: Company Filings, PPFAS MF Research

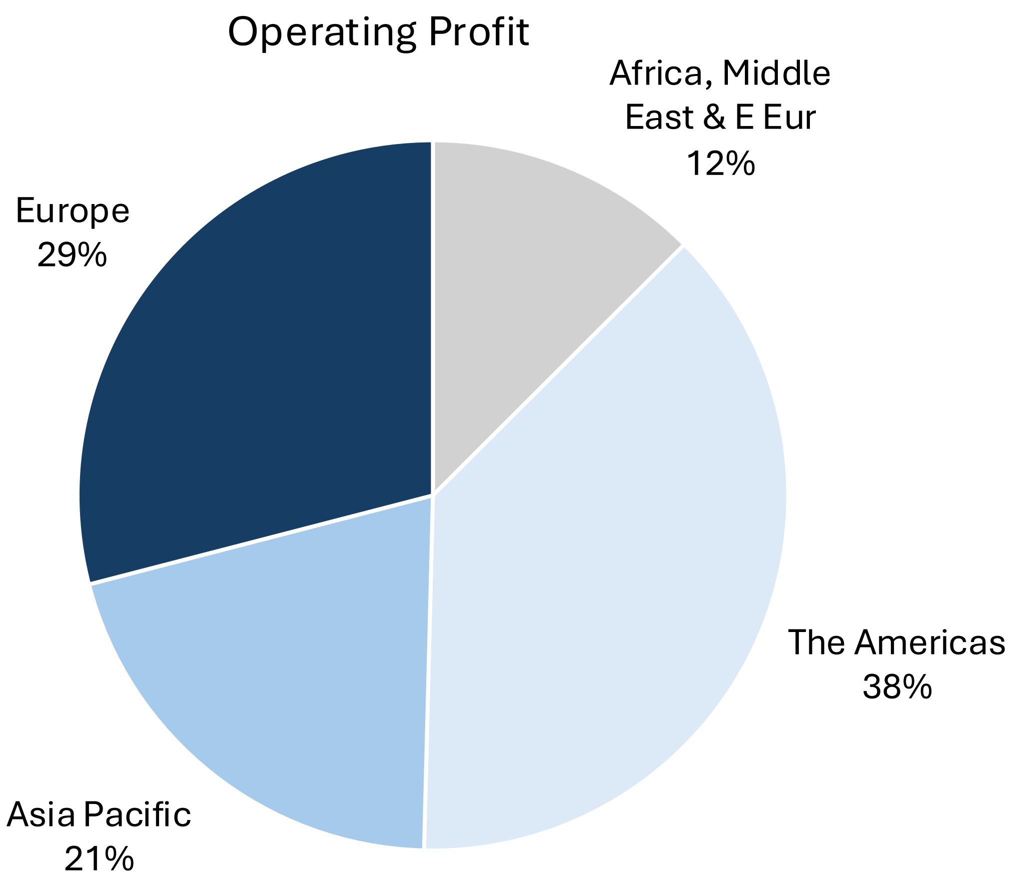
Recommended Reading: Behind the Scenes of Anheuser-Busch Takeover

- *They took sledgehammers to the cushy, private offices -supplanted them with a sea of community tables and tightly packed desks.*
- *Secretaries were fired, the company's luxurious furniture was auctioned off, and 40 percent of its employees' 1,200 BlackBerries were taken away.*
- *Even expenses like color printing and shipping kegs of beer via FedEx were curtailed.*
- *The new company sparked an uproar from its suppliers when it announced it would take 120 days to pay its bills rather than 30 days*



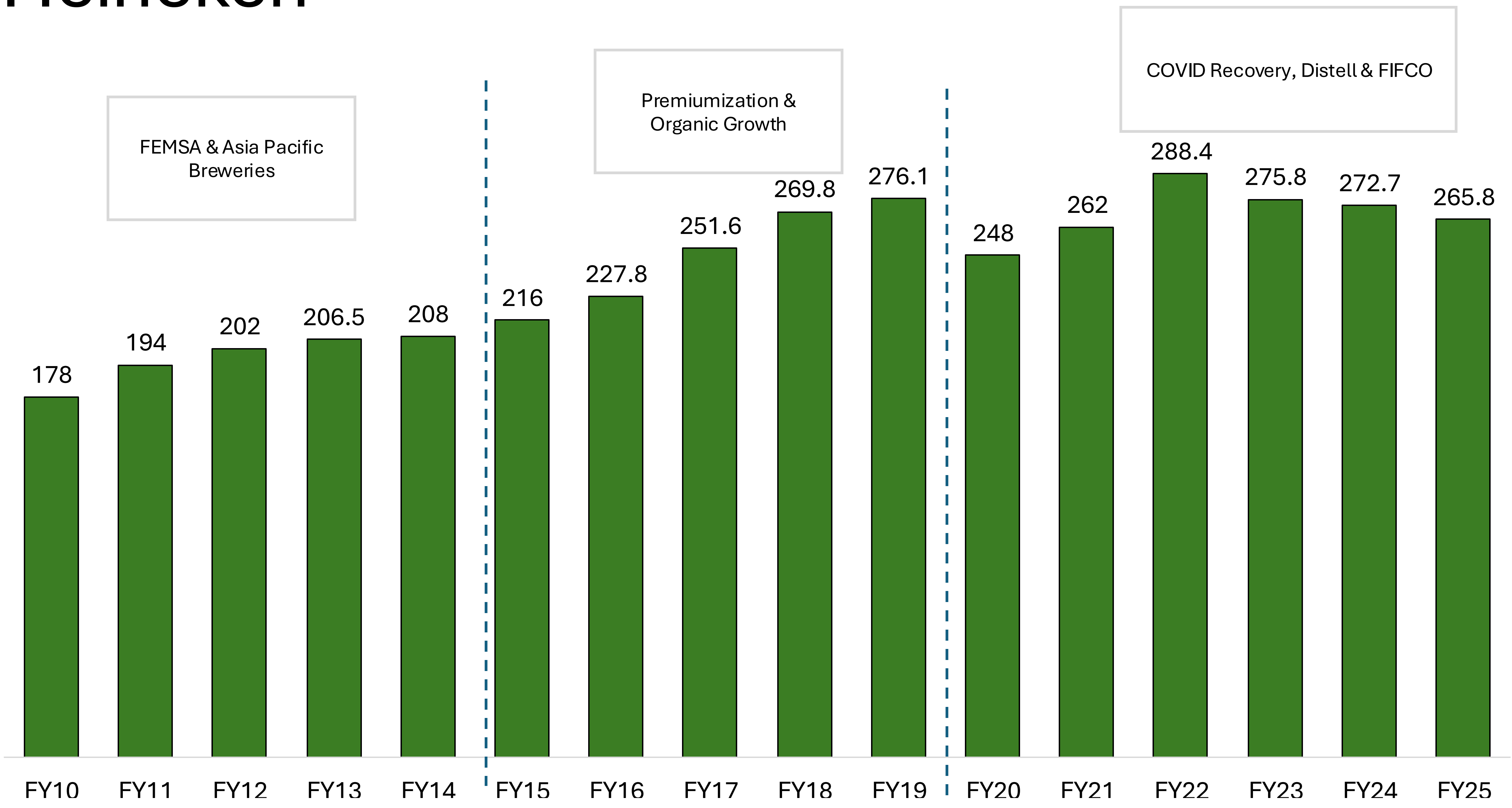
Heineken





Source: Company Filings, PPFAS MF Research

Heineken

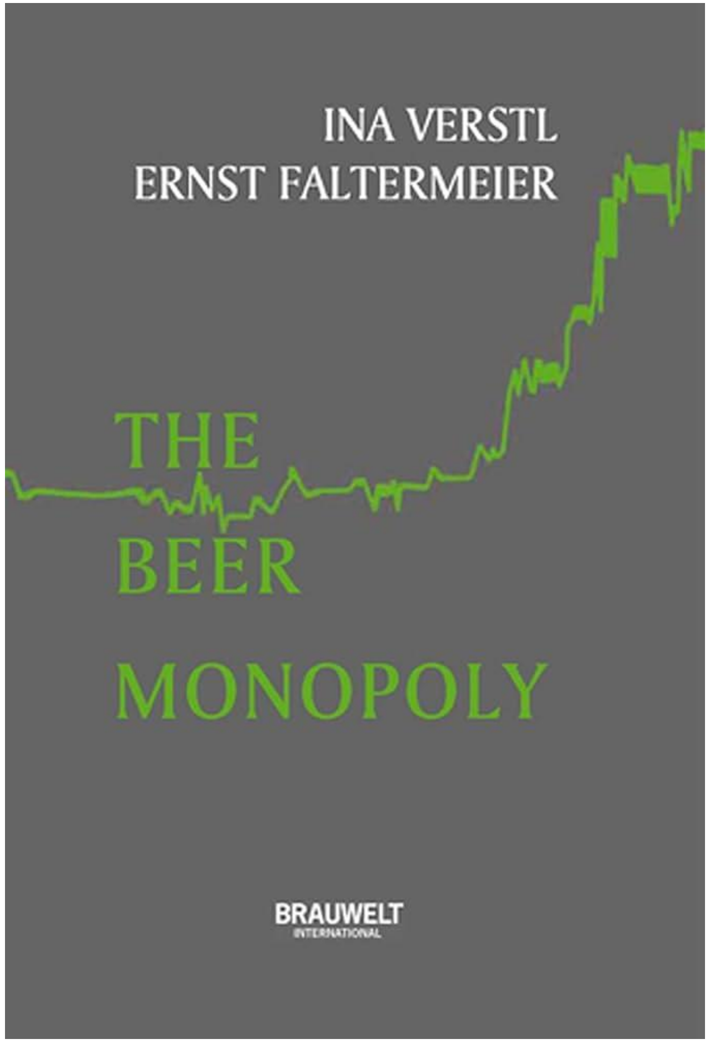


Source: Company Filings, PPFAS MF Research

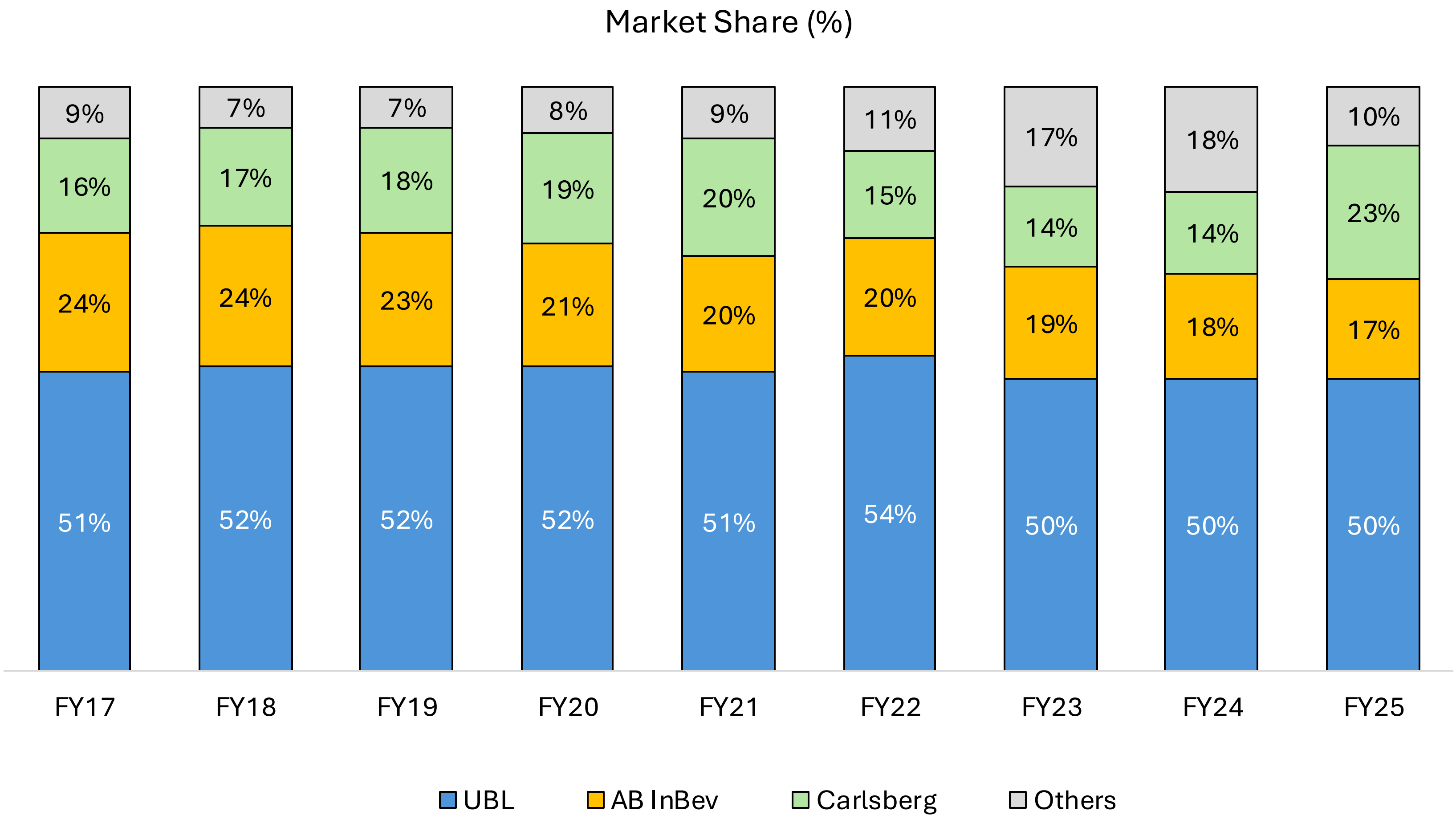
United Breweries

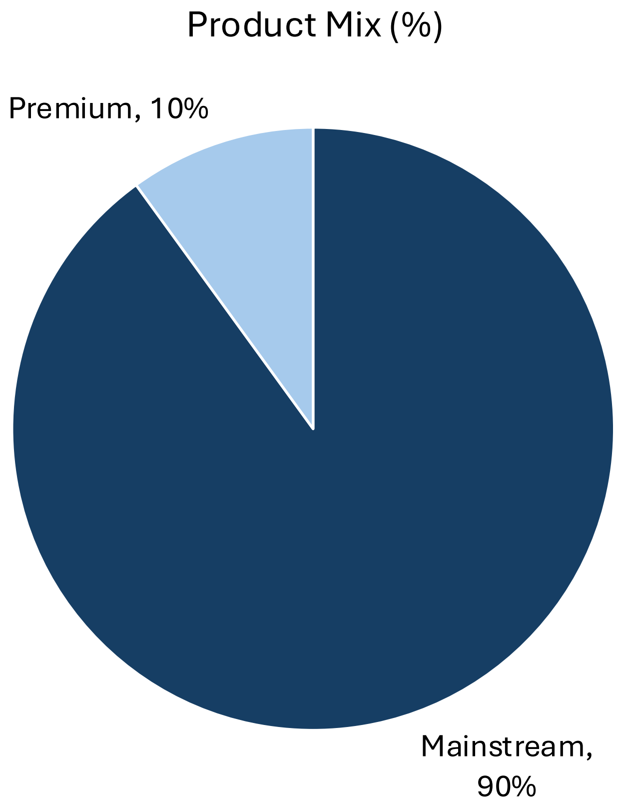
"Carlsberg desperately wanted S&N's stake in BBH. They persuaded Heineken to join them in a deal to take over S&N and break it between them…

Heineken ended up with a UK business that would turn out to be can of worms and an Indian business where they faced a quarrelsome partner in the person of drinks mogul VJ Mallya"



United Breweries: Market Leader by a wide margin

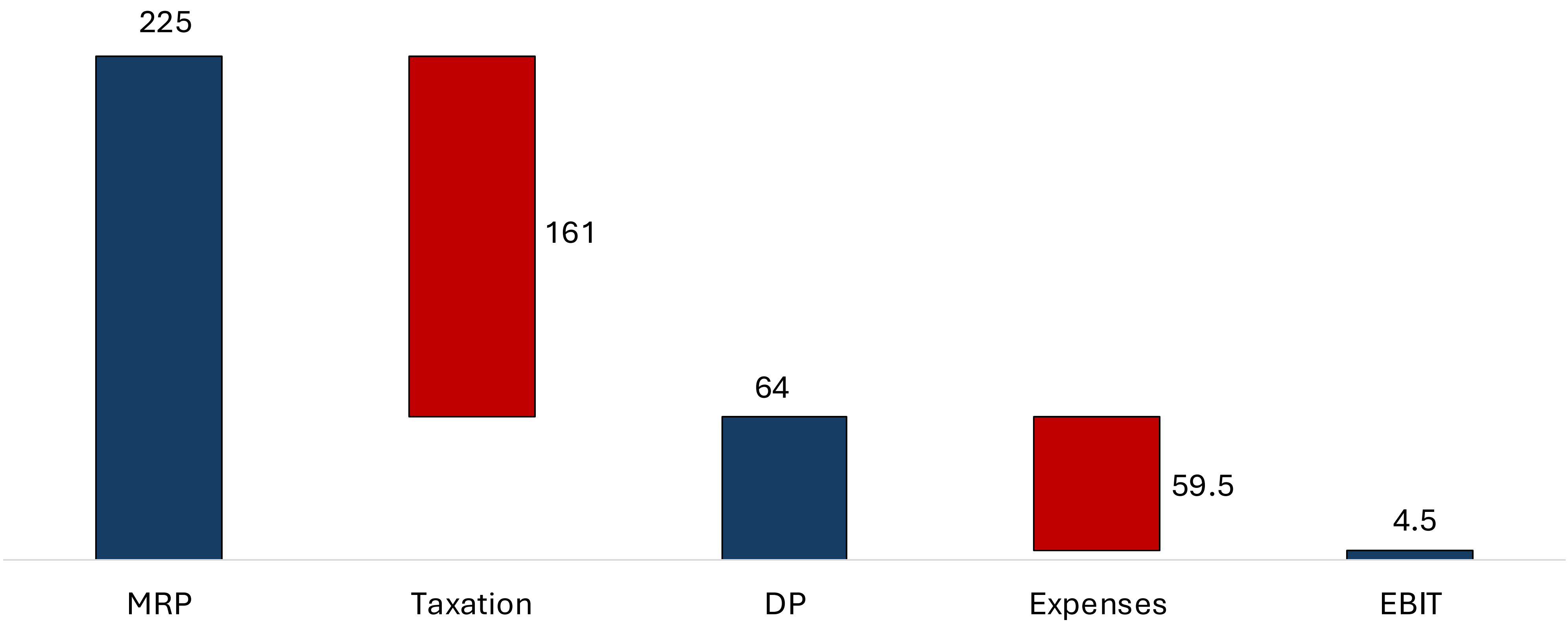




Source: Company Filings, PPFAS MF Research

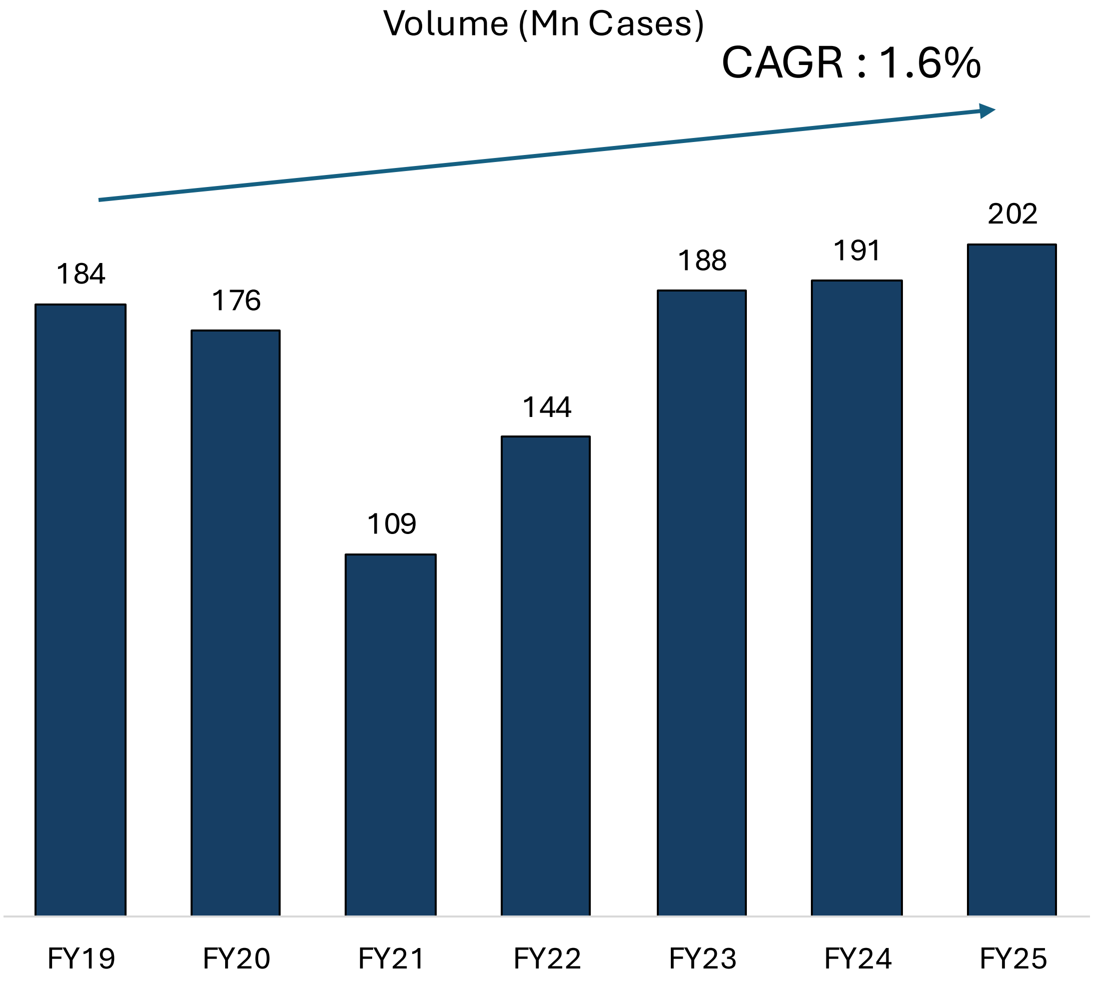
United Breweries:
Heavy taxation reduces pricing power & value capture

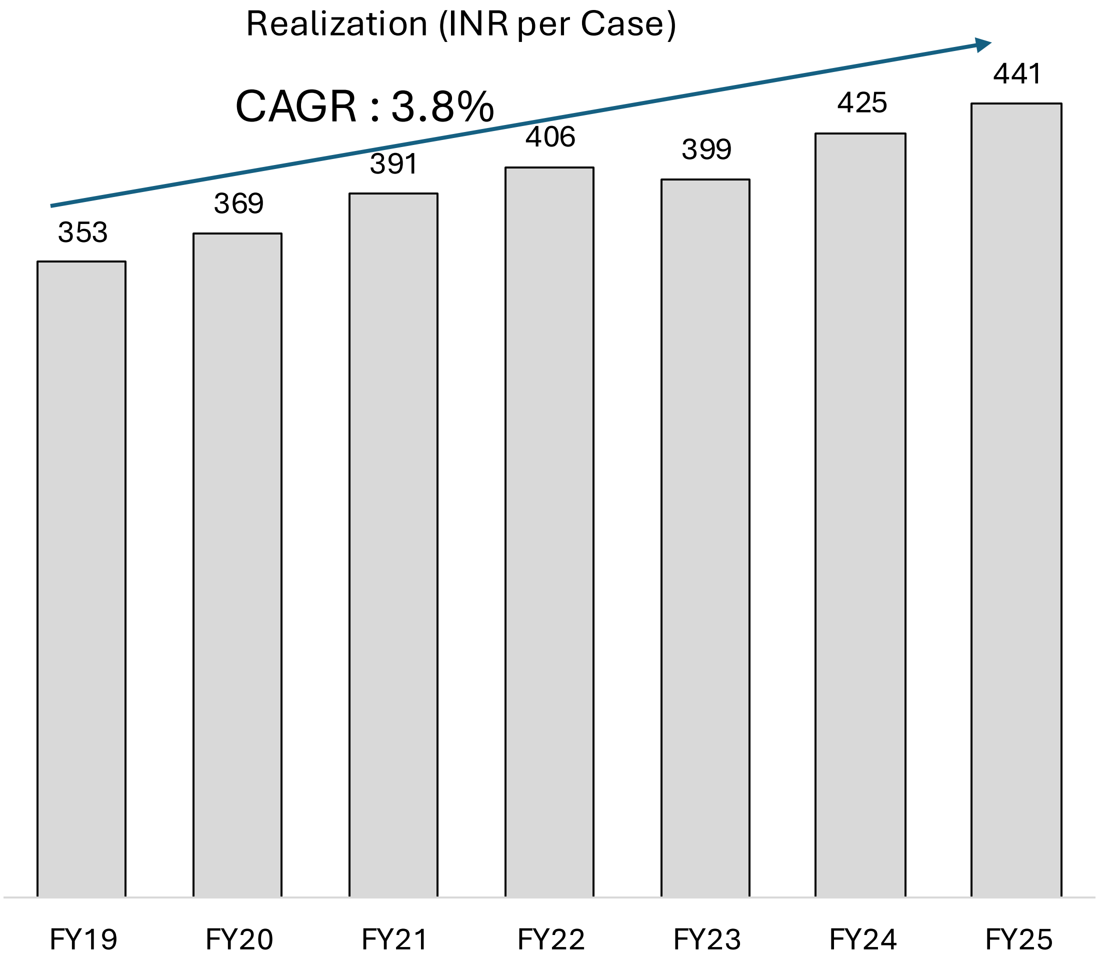
Representative Chart of Value Capture (650 ml bottle)



Source: Company Filings, PPFAS MF Research

United Breweries:
Volume growth has been weak





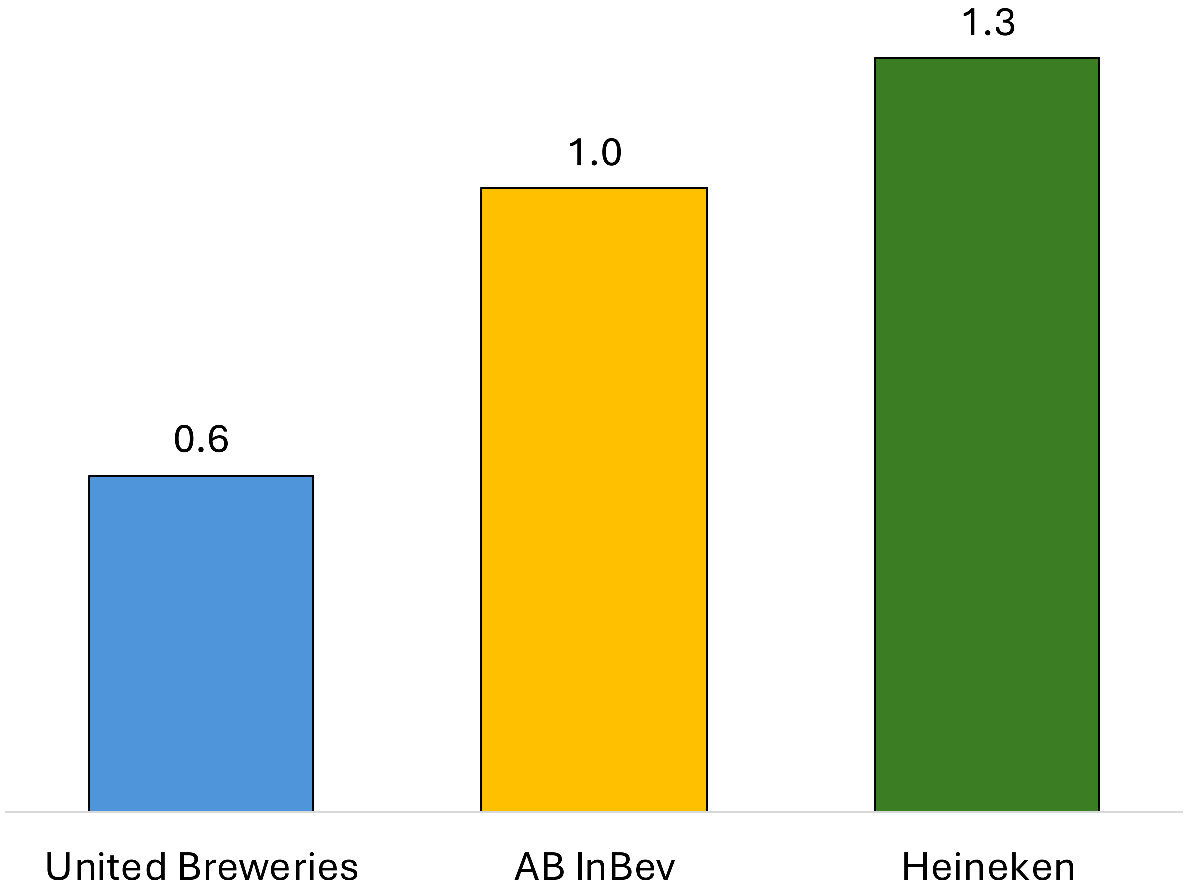
Source: Company Filings, PPFAS MF Research

UBL – High Working Capital requirements unlike other FMCG companies

Working Capital	2021	2022	2023	2024	2025
Inventory days	98	59	69	62	66
Receivable days	120	78	68	104	117
Payable Days	53	40	35	43	47
Net WC	165	97	102	123	136

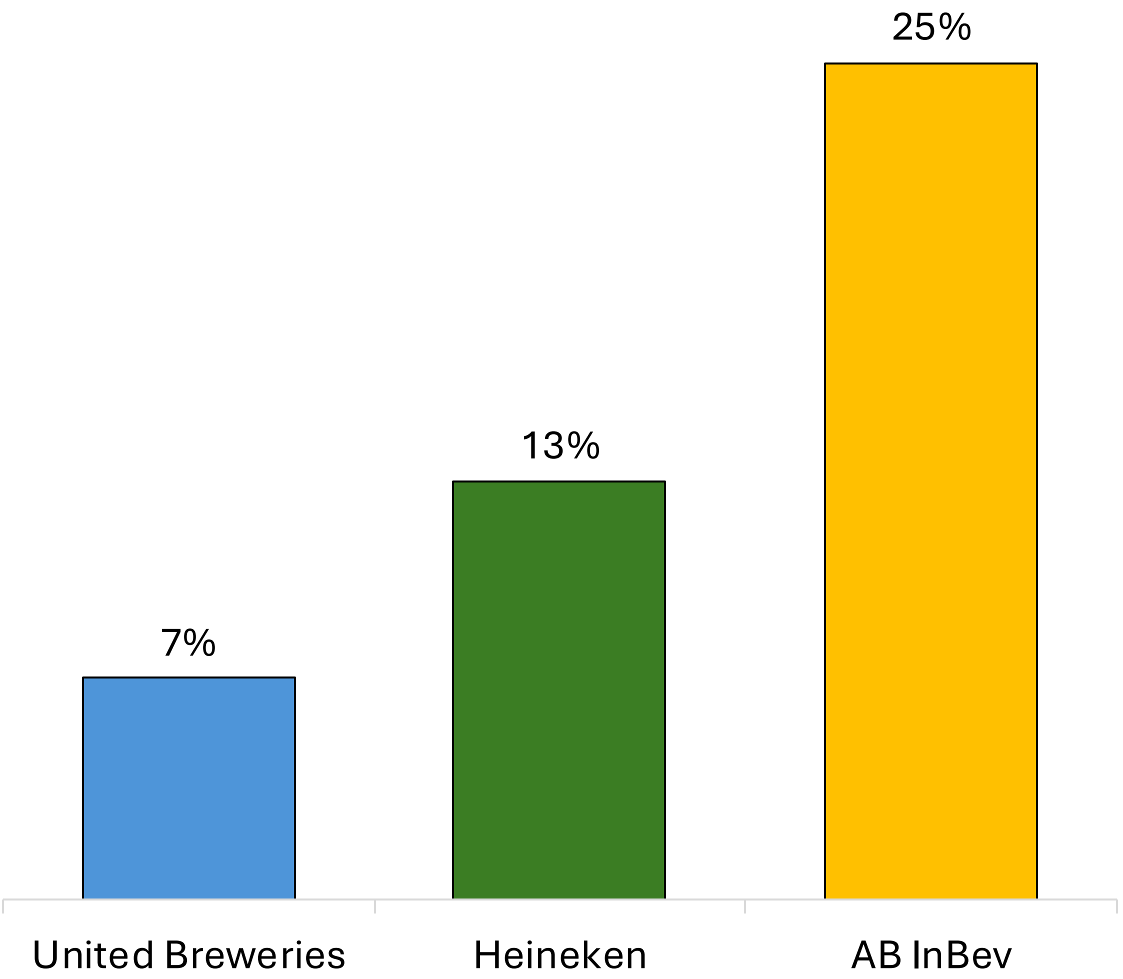
Source: Company Filings, PPFAS MF Research

3 Yr Avg - Revenue per litre (USD)



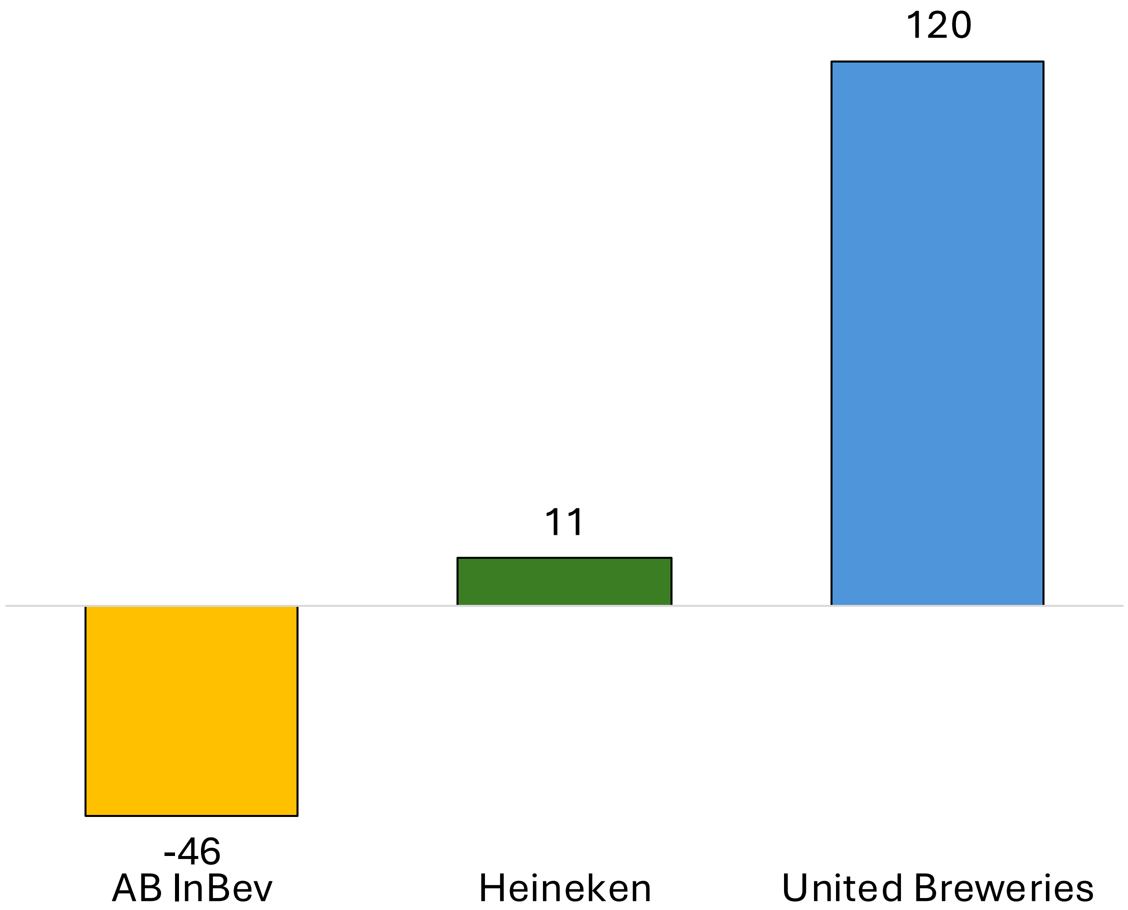
Source: Company Filings, PPFAS MF Research

3 Yr Avg - Operating Margin (%)



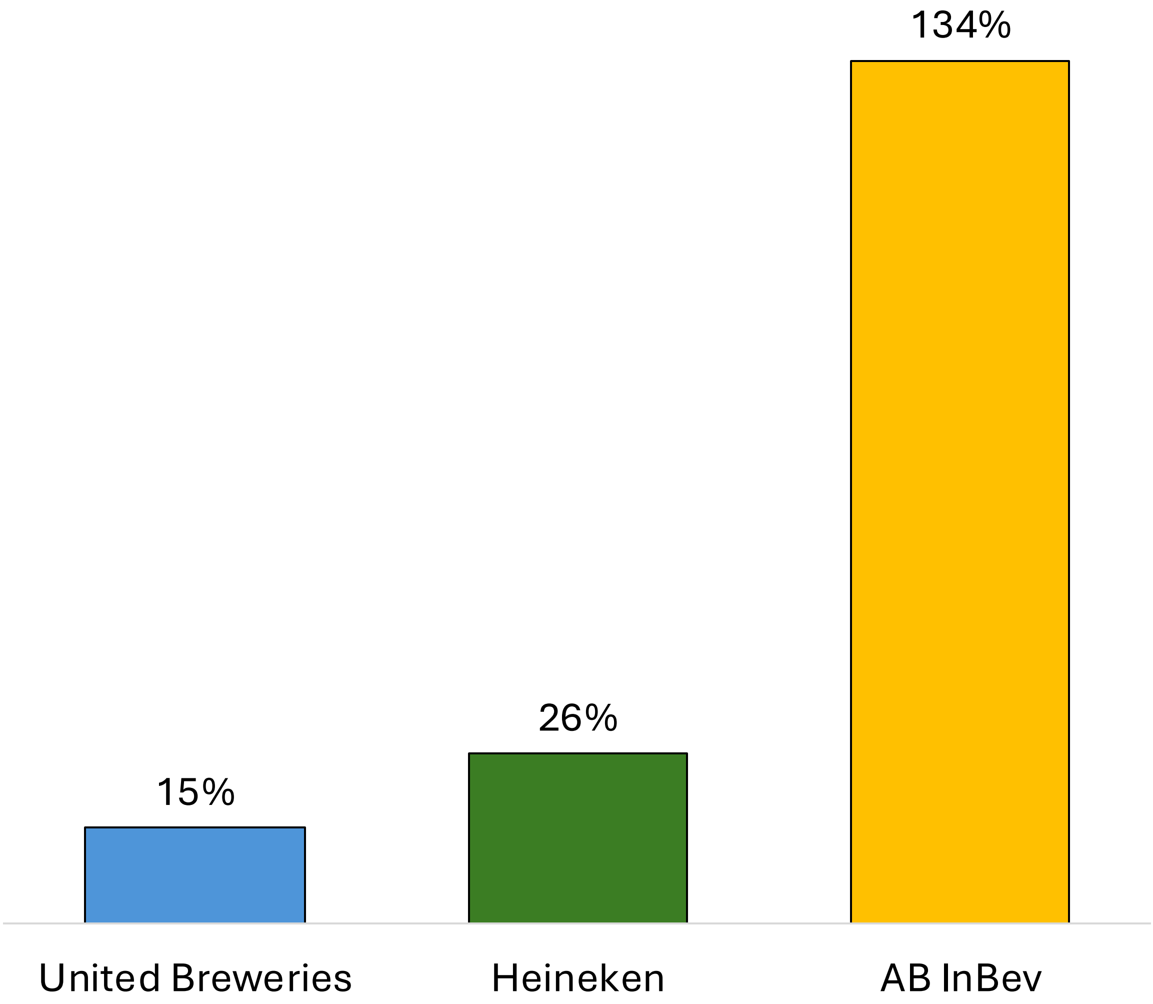
Source: Company Filings, PPFAS MF Research

3 Yr Avg - Net Working Capital Days



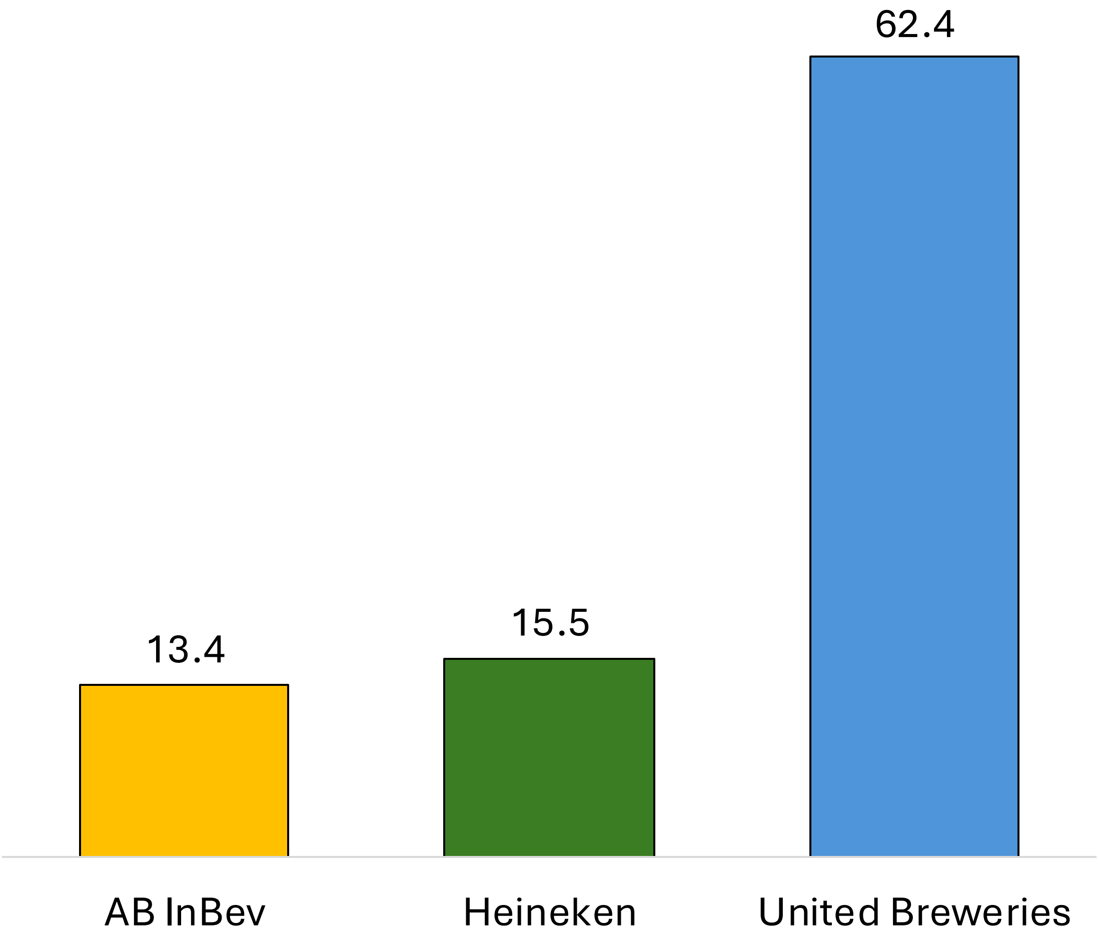
Source: Company Filings, PPFAS MF Research

3 Yr Avg - Return on Tangible Capital Employed (%)



Source: Company Filings, PPFAS MF Research

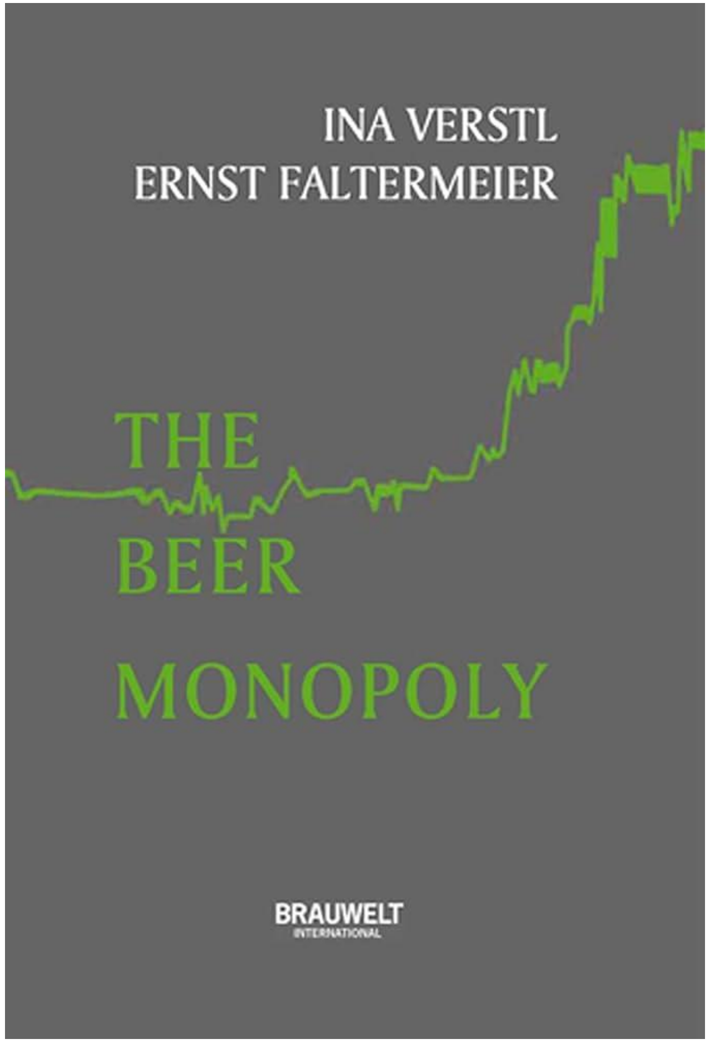
Valuations (EV/EBIT)



Source: Company Filings, PPFAS MF Research

Recommended Reading: History of the Beer Industry

"Mr Lemann only invested in Gillette to spend time with the veteran American investor and 'sage of Omaha', Warren Buffett, another Gillette board member. 'In board meetings, he impressed Buffett with his quiet, thoughtful style, and they became friends.' …. After Mr Lemann had persuaded Mr Buffett to part with his shares in the US brewer …, he knew that other investors would follow and Anheuser-Busch would be a done deal."



Key Takeaways

- Beer is a large and Profitable Market
- Highly Regulated sales and distribution making it different from traditional FMCG
- Scale and Distribution can be Moats enabling companies to earn a high Return on Capital
- Pricing Power and Profitability in India is constrained by very heavy taxation
- Growth has been a challenge
- Exposure to High Growth Geographies or Product Segments can be growth drivers

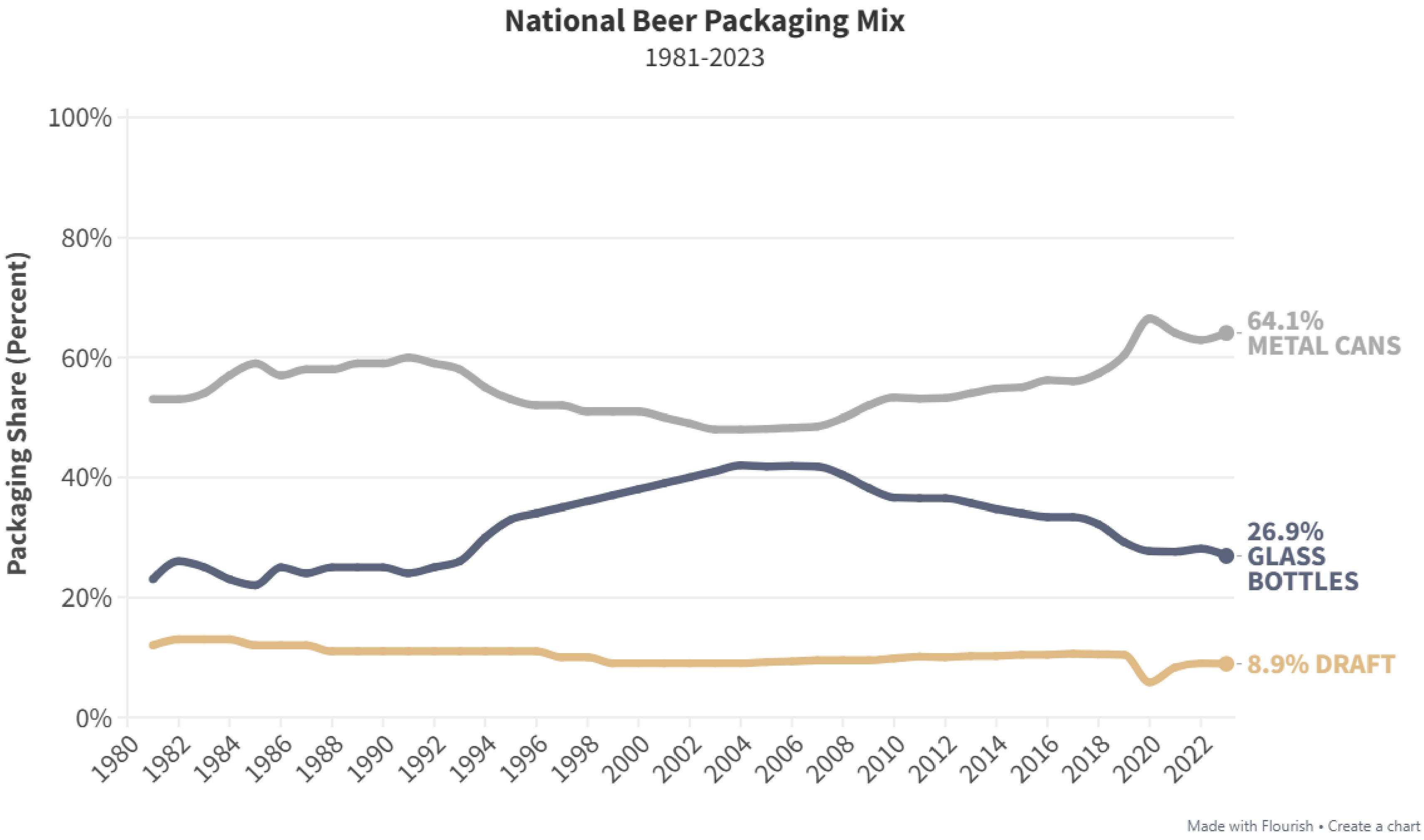
Thank you!
Sadly, No Beer on the Menu Tonight!

Appendix

Advantages of Glass Bottles

- More premium look and feel
- Bottle size and shape can be customised to differentiate the brand
- Chemically inert : helps retain the taste
- Keeps the beer colder for a longer period of time

Aluminium cans form a larger part of Beer packaging



Source: Beer Institute USA, PPFAS MF Research

Advantages of Aluminium Cans

- Easier and efficient to store, stack and transport
- Lighter than glass and less prone to breakage
- Blocks sunlight completely preventing light related spoilage
- Lesser carbon footprint than glass bottles

End