



The Beer Cases (B): Grupo Modelo



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Brief History

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2012

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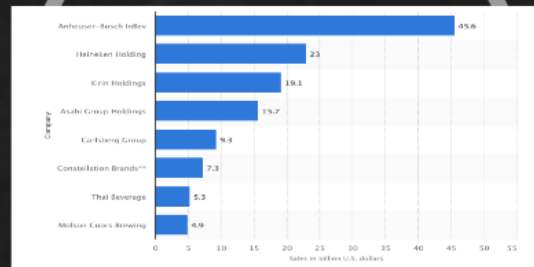
THE BIG 4

1. **AB InBev** - Belgian transnational beverage & brewing company
2. **SAB Miller** - founded as South African Breweries in England in 1895
3. **Heineken** - Dutch brewing company, family owned, founded 1864 in Netherlands
4. **Carlsberg Group** - founded 1847 in Denmark



Sales of Leading Beer Companies in the World 2017 (Billions of USD)

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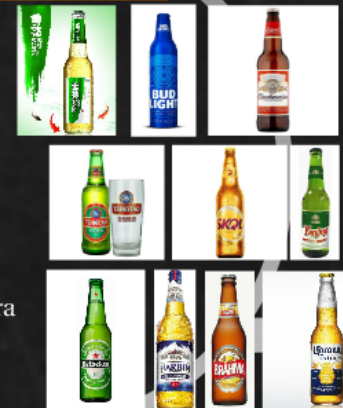


* In 2004, the top 10 beer companies controlled 51%.
 ** In 2014, the 4 biggest brewers produced 47% of the global volume & controlled almost 78% of the global industry's \$33 billion in profits. The company also owns Coca Cola/Pepsi franchises all over the world.

Top 10 Beer Brands 2016

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1. Snow
2. Bud Light
3. Bud Weiser
4. Tsingtao
5. Skol
6. Yanjing
7. Heineken
8. Harbin
9. Brahma
10. Corona Extra



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ABInBev



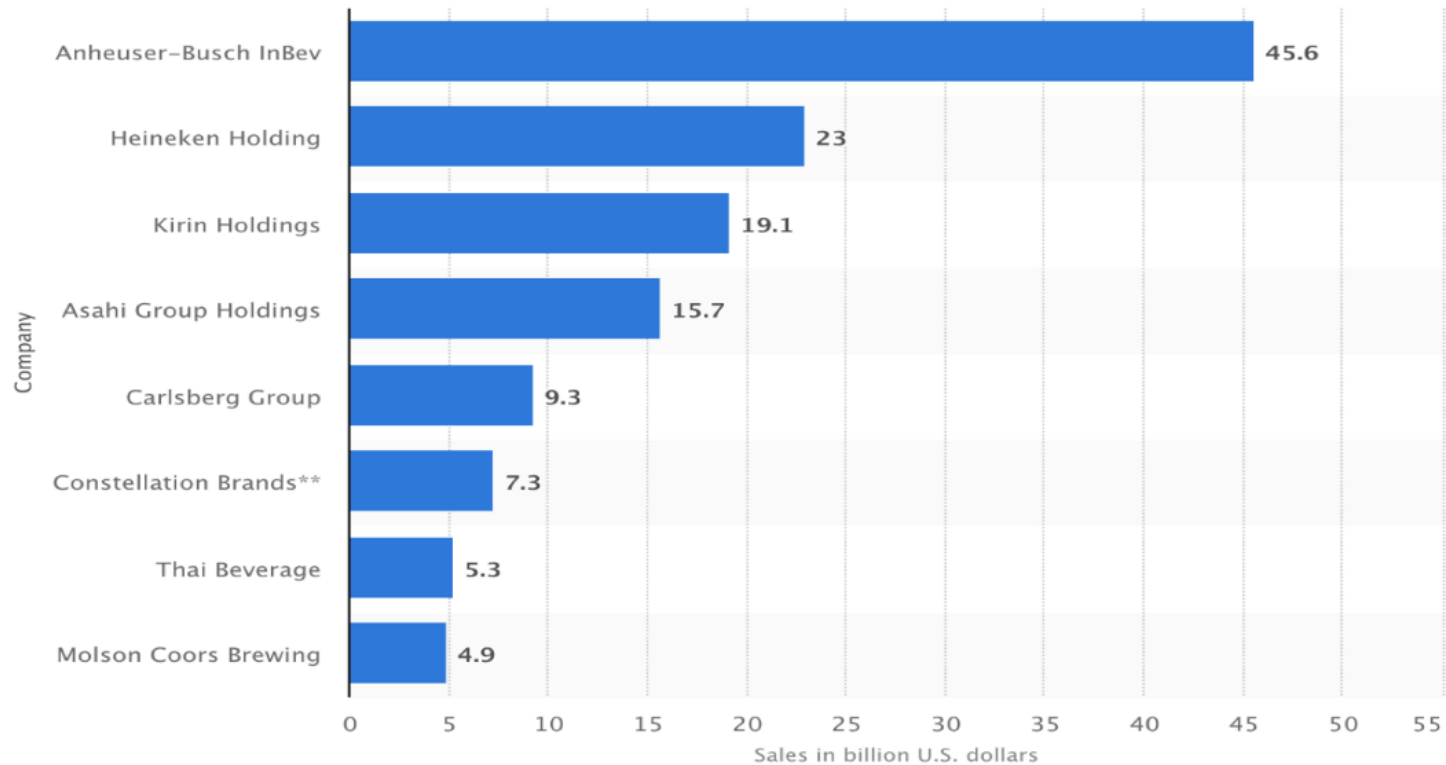
EST. 1873

Heineken[®]


Carlsberg[®]

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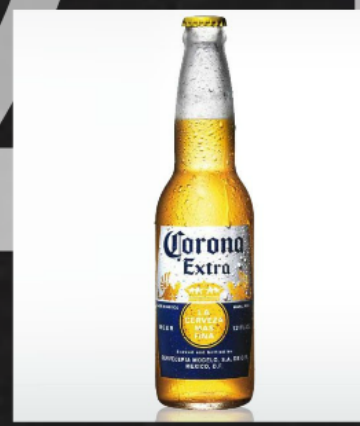
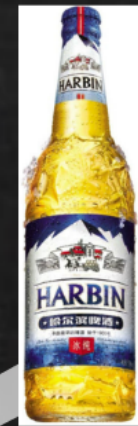
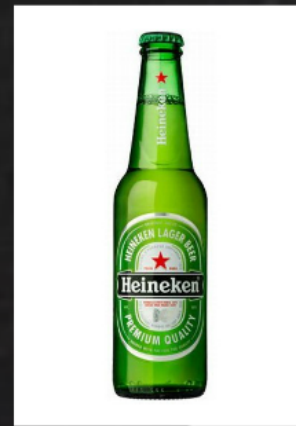
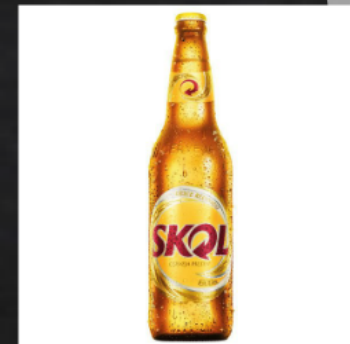


- In 2004, the top 10 beer companies controlled 51%.
- In 2014, the 4 biggest brewers produced 47% of the global volume & controlled almost 74% of the global industry's \$33 billion in profits.
- Each company also owns Coca Cola/Pepsi franchises all over the world.

Top 10 Beer Brands 2016

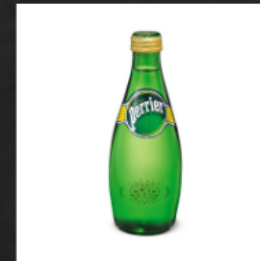
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GRUPO MODELO

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Grupo Modelo Today

- Currently Grupo Modelo has 15 national brands
- The history of some of its brands extends very far back. Victoria beer, for example, is the oldest Mexican beer since it is produced and sold in Mexico since 1865.
- Grupo Modelo exports eight brands and has a presence in more than 180 countries.
- The global portfolio includes Budweiser, Bud Light, and O'Doul's non-alcoholic beer, produced by Anheuser-Busch InBev.
- Through a strategic alliance with Nestlé Waters, it distributes in Mexico the brands of bottled water Sta. María and Nestlé Pureza Vital, among others.

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Financial Statement Thecasesolutions.com

	2011	2012	2013	2014
Revenue	2,242.62	2,711.34	2,532.01	2,499.02
Cost of Goods Sold	1,423.82	2,083.95	2,296.82	2,108.40
Gross Profit	818.79	627.39	235.19	390.62
Gross Profit Margin	37.40%	23.14%	9.33%	15.68%
Sales Expense	301.85	1,763.79	2,523.92	1,954.34
Depreciation & Amortization	--	--	--	--
Operating Income	516.94	1,622.60	1,908.89	1,544.91
Operating Margin	23.04%	59.84%	75.39%	62.18%
Nonrecurring Income	223.84	3,588.41	--	88.37
Nonrecurring Expenses	223.84	3,588.41	--	88.37
Income Before Taxes	763.84	5,071.00	1,879.91	1,634.91
Income Taxes	176.72	1,783.57	300.98	399.22
Net Income After Taxes	587.12	3,287.43	1,578.93	1,235.69
Continuing Operations	587.43	3,210.06	1,607.89	1,244.29
Discontinued Operations	--	--	--	--
Total Operations	587.43	3,210.06	1,607.89	1,244.29
Total Net Income	587.43	3,210.06	1,607.89	1,244.29
Net Profit Margin	26.20%	118.09%	63.51%	49.78%
Diluted EPS from Continuing Operations	--	--	--	--
Diluted EPS from Total Operations	0.13	0.92	0.29	0.26
Diluted EPS from Total Net Income	0.13	0.92	0.29	0.26
Dividends Per Share	--	0.02	0.02	0.01

Financial Statement Cont.

Financial year to January-December. All values in MXN millions	2011	2012	2013	2014	Year over
Subsidiaries					
Subsidiary Revenue	81,010	99,380	88,000	33,120	
Subsidiary Growth		9.1%	-12.7%	42.0%	
Cost of Goods Sold (COGS) net: OMA	44,580	47,710	42,230	22,180	
COGS excluding OMA	38,680	40,680	37,200	17,480	
Depreciation & Amortization Expense	4,780	4,780	4,740	4,780	
Depreciation	4,380	4,280	4,210	4,300	
Amortization of Intangibles	400,210	400,170	428,200	140,200	
COGS Growth		7.2%	-10.8%	-47.4%	
Gross Income	48,430	51,670	45,770	19,640	
Gross Income Growth		11.0%	-10.3%	78.4%	
Gross Profit Margin				33.0%	N/A
Pre-tax Income	22,180	25,180	71,010	11,210	
Pre-tax Income Growth		7.2%	176.4%	-84.0%	
Pre-tax Margin				34.1%	N/A
Income Tax	5,470	6,500	22,070	2,040	
Income Tax - Current Domestic	5,000	6,820	23,740	3,470	
Income Tax - Current Foreign	--	--	--	--	
Income Tax - Deferred Domestic	345,880	329,140	21,570	350,460	
Income Tax - Deferred Foreign	--	--	--	--	
Income Tax Credits	--	--	--	--	
Equity in Affiliates			146,140	6,170	
Other After-Tax Income (Expense)					
Consolidated Net Income	18,280	18,820	48,910	9,880	
Minority Interest Expense	6,480	6,570			

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	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10
Revenue	2,242.65	6,776.34	7,626.05	6,499.65	6,861.87
Cost of Goods Sold	1,403.90	3,089.95	3,596.63	3,100.40	3,185.38
Gross Profit	838.75	3,686.39	4,029.41	3,399.25	3,676.49
Gross Profit Margin	37.40%	54.40%	52.84%	52.30%	53.58%
SG&A Expense	301.85	1,763.79	2,123.52	1,854.34	1,925.55
Depreciation & Amortization	--	--	--	--	--
Operating Income	536.90	1,922.60	1,905.89	1,544.91	1,750.94
Operating Margin	23.94%	28.37%	24.99%	23.77%	25.52%
Nonoperating Income	229.04	3,508.41	--	88.37	--
Nonoperating Expenses	229.04	3,508.41	--	88.37	--
Income Before Taxes	765.94	5,431.00	1,879.91	1,633.28	--
Income Taxes	178.70	1,733.57	505.98	390.92	400.46
Net Income After Taxes	587.24	3,697.43	1,373.93	1,242.36	--
Continuing Operations	587.65	3,710.06	947.99	844.59	--
Discontinued Operations	--	--	--	--	--
Total Operations	587.65	3,710.06	947.99	844.59	802.52
Total Net Income	587.65	3,710.06	947.99	844.59	802.52
Net Profit Margin	26.20%	54.75%	12.43%	12.99%	11.70%
Diluted EPS from Continuing Operations	--	--	--	--	--
Diluted EPS from Total Operations	0.13	0.92	0.29	0.26	--
Diluted EPS from Total Net Income	0.13	0.92	0.29	0.26	--
Dividends Per Share	--	0.02	0.02	0.01	--