

AB InBev Forecasts Weak Sales

TOBY STERLING, Associated Press

AMSTERDAM (AP) — Anheuser-Busch InBev NV, the world's largest brewer, said Wednesday that profit fell 4.9 percent in the fourth quarter due to higher financing costs, and it forecast weak first quarter sales volumes in the United States and Brazil.

The maker of Budweiser, Bud Light, Stella Artois and Beck's said net profit was \$1.76 billion (€1.35 billion), down from \$1.85 billion in the same period a year ago. Exchange rate-linked losses in the fourth quarter of 2012 and gains on derivatives a year earlier caused a combined \$400 million downward swing that wiped out savings made through cost cuts.

The company managed to offset a dip in sales volumes in the fourth quarter by hiking prices, leading to an 8.8 percent rise in revenue.

Over the whole of 2012, it said sales volumes had grown in the U.S., its most profitable market, for the first time since 2008 and "market share is showing signs of stabilizing."

However, it expects weak first quarter volumes in the U.S. as consumers there have less disposable income and the weather has been bad. It also expects soft first quarter results in Brazil, where it has a 68.5 percent market share with brands Skol, Brahma and Antarctica, due to an early carnival and wet weather.

Sales volumes in China, the company's third-largest market, grew 1.9 percent and AB InBev said it gained market share in the fourth quarter, with Budweiser becoming the best-selling "premium" beer in the country. AB InBev expects better growth in China this year.

More than half of Budweiser sales now take place outside the U.S., the company said.

AB InBev, based in Leuven, Belgium, didn't outline whether it expects to increase profits in 2013, saying only it expects its revenue per gallon sold to increase faster than the rate of inflation, and costs to rise "in the mid-single digits."

Shares erased early losses to rise 0.5 percent to €70.15 in Brussels.

The numbers were "below market expectations at the earnings level," but better than expected in terms of revenues, said Jonathan Jackson, head of equities at Kilik & Co. He said the company is "well positioned to capture rising emerging market incomes and recovering Western economies." However, he repeated a "neutral" rating on shares, because those strengths are already reflected in the share price.

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Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

AB InBev has been attempting since June to take over the half of Corona maker Grupo Modelo it doesn't already own for \$20.1 billion, but the deal was challenged by the U.S. Department of Justice over concerns it would make the company too dominant in the U.S.

In response, AB InBev announced a side-deal this month to sell the rights to market Corona in the U.S. to smaller competitor Constellation Brands, hoping that would appease regulators. For now the deal "remains subject to the existing challenge," AB InBev said Wednesday.

The company's U.S. subsidiary, Anheuser-Busch of St. Louis, Missouri, is facing a lawsuit from consumers who on Tuesday accused it of watering down its beers, including Budweiser and Michelob, so that they carry a lower alcohol percentage than their label suggests.

"Our beers are in full compliance with all alcohol labeling laws. We proudly adhere to the highest standards in brewing our beers, which have made them the best-selling in the U.S. and the world," said Peter Kraemer, vice-president of brewing and supply, in a statement.

Source URL (retrieved on 04/02/2015 - 3:13am):

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