



CONVERSATIONS WITH MIKE MILKEN



Michel Doukeris

CEO, Anheuser-Busch

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Mike Milken: Thank you for joining us. It's a pleasure to be able to speak to you today.

Michael Doukeris: Thank you; a big pleasure to have the chance to talk to you.

So many years ago in the 1980s, a number of companies had financed and structured by borrowing in U.S. dollars instead of local currency. And unfortunately with the devaluation of many currencies, including Brazil, Argentina, Mexico, in the Western hemisphere, for every dollar they borrowed, they owed two. And what we saw that came out of it during that decade was actually the managers that survived and built businesses had to be better than the ones in the United States. They had to overcome, not just the volatility in running their businesses, but dealing with a liability structure that ballooned due to changes in currency. Take us back to growing up in Brazil and the journey that has led you to lead Anheuser Busch here in New York today.

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That was a very interesting observation that shows a lot of the knowledge you have. We often say in Brazil that becoming an executive, finding your job, is an adventure because Brazil is full of opportunities. An incredible country, a vibrant economy, but they has been through cycles that are very dramatic. And I think that on the extreme example it's

like a rollercoaster in which you need to be prepared to perform with a big smile in each and every part of the rollercoaster.

So I was born in Brazil. My father is Greek, but he immigrated to Brazil and he was an entrepreneur. Growing up in a countryside, small town, very simple priorities like education from my father and my mom. Education came with sports. So always practicing sports as a way to get to better schools, to go to college. At the end of the day, I attended two different colleges, chemical engineer, and business management. And I had the chance to then engage in working at two different companies, but I landed

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on this beer company in Brazil, which also was a very interesting time because beer business was booming in the eighties, nineties.

I got to the company in 1996, so 25 years now. My career, I think that we can define easily three parts. Part one was my time in Brazil on this company that was growing a lot in Brazil and in Latin America. And I have done a little bit of everything there. So I started in marketing, then I worked in breweries, in finance, commercial functions, general manager positions in Brazil. And I always tell our trainees, if I think about the 10

years that I spent in Brazil, it was almost like a race. We were racing to building the business. We were racing to get to the No. 1 position in the Brazilian beer business, then in Latin America, and I was always competing, trying to learn as much as possible on the way, but getting to very high standards in terms of execution, excellence, financial results, market share gains.

Then I pivoted my career from being in Latin America, to be more in a global position. I moved from Brazil to China, and I spent seven years in Asia as China president first, then later CEO of our operations in Asia Pacific. It was an incredible time, big expansion. We grew our business there more than 10x in five years, and then another 5x in the years to come. We built operations in China, in Korea, in Vietnam, in India. It was a very interesting time that gave me a very interesting perspective on how different Asia was from Latin America. You have a lot of innovation, very vibrant economy as well; much bigger in terms of population and potential.

And then last five years another big change. First, I came to our global office in New York in the capacity of global sales head. And then in the last three years the pleasure to be in charge of Anheuser Bush in the U.S. It's an iconic company, hundreds of years of heritage, super connected with the fabric, the culture, the history of the United States,

and a very good learning opportunity – with my colleagues here, my partners, our wholesalers, and our customers, working together to be an important part of the community in the United States.

One of the things you touched on is how embedded Anheuser Busch is in the fabric of the United States. The horses became known by every young kid on Christmas when we saw the special advertising the company did. But I don't think our listeners fully realize the relationship that goes to the farmers and the supply chain that ends up when they grab that can or bottle. And so, during this pandemic how you've interacted with them, what's happened to the supply chain, your end-user has changed dramatically as to where they might be getting the product. Take us back and talk about the real Anheuser Bush family that goes all the way back to the farm.

Mike, this is an excellent opportunity to talk to people and to clarify some views around the beer business and Anheuser Busch as a company. So thank you for the question. If you think about beer, beer is a business that is very local. So our bottles, our cans, they don't come up with this idea of design it in St. Louis, but produced in Vietnam or in China. So beer products that we sell in the United States are majority, like 95%, they are brewed in the United States. In that process, they go through crops to the macro containers or the bottles in which we pack, they are locally produced local. And in our supply chain, in the United States, Anheuser Busch interacts with more than a thousand farmers. So the hops, the barley and the corn that we grow and buy in the United States, they are all part of this extended family of the beer business.

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And if you think about the beer business, we have more than two million people as an industry in the United States, an economic impact that is bigger than \$300 billion in the industry, upstream and downstream. And we have 19,000 colleagues that work direct with us in the United States. And in 2020, this was super relevant because of this unbelievable pandemic and all the consequences that COVID brought to our society and the way that we live and interact with each other. And when we organized at the company to face the pandemic and its consequences, we put very simple priorities in place early on in the process. And these three priorities were protecting our people, maintaining business continuity, and making sure that we would support the communities that we serve, because we are part of the communities; we are close to them. And we always at AB, want to be part of the solution for the problems and challenge that the communities face.

And in protecting our business, we are not talking about protecting AB business, but everybody in the chain that was relying on AB to maintain their business continuity. And that came from the farmers, to the people in our breweries, to the wholesalers that we service, to the retailers that they service, and for the consumers that would need to have some sense of normalcy. And I think that everybody enjoyed, for example, what trips to the supermarket, to Walmart; that was one of the few things that we could do that was looking normal during this pandemic. And we were a very important part of the supply chain to make sure that these groceries and these retailers could be in business and that

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consumers could feel this normalcy over watching TV and drinking a beer, watching sports and drinking beer, or taking part of one of our digital concerts that we sponsored live sessions through the internet last year that became very famous.

Anheuser Busch has been a responsible and great partner in philanthropic activities over the decades. So as you looked at the needs of the community, how would you compare and contrast 2020 to another year in terms of the community activities?

So it was a year of learning and a lot of creativity, innovation in everything that we have done. But allow me to step back and

just thank you for mentioning that at AB we all take huge pride on the support that we give to the community that we live in and interact with, where we have our businesses. And this is a very important portion of everything that we do every day. And just to give you one example of adaptation, our water donation program. So every time that one of our communities, they face a disaster like a hurricane, a storm, AB's breweries stop producing beer and we run water in our lines so we can bring water for these community needs. And this is part of our disaster relief program.

During COVID, people needed a lot of things, but water services they were normal, they were not disrupted. And it would not make sense for us to stop our breweries to donate water. But then we saw very early on that hand sanitizer was something that people were running short of, and that was something very important for people in the prevention of the spread of the COVID virus. And because the supply chain for alcohol gel was in huge stress, we talked together with our teams in the breweries, can we help that? Can we adjust our production and start producing hand sanitizer? And very quickly, the team found a way to do this in our breweries, and we produced tons of ounces of

hand sanitizer. We donated for hospitals, for communities, for the government in many, many states and cities through all the pandemic.

And even now at the end of the cycle that we are going on through, the government requested us to donate for the voting stations for the polling stations. And we did a huge donation of a hand sanitizer so people, when they were out for voting, they could find this clean environment, having the hand sanitizer there, making sure that they were protecting themselves and people that would vote after them. So that was a big movement that we have done.

The second one, our longstanding partner on the water donation is the American Red Cross. So when we reach out to them at the beginning of the pandemic, they told us people need blood, and that donations of blood go dramatically down. So the American Red Cross gave us an idea for us to try to incentivize people to continue to do blood donations. So we partner them with NFL, with NBA, with all the team partners that we have. And we put together this big call for people to go and continue to do blood donation. So the Kings, they gave us the arenas. So the big spaces where the American Red Cross could work with the safest space, and having people comfortable to go there because they had social distancing. We did this beautiful Budweiser commercial calling people for action, and the American Red Cross organized it everything.

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And the third leg of that, which we continue to support and work very hard on, is the hospitality center. As you know, restaurants, bars, the arenas, they all are suffering big time through this pandemic. They are making a huge contribution being safe, operating with less people than they were designed for operating, or in many, many cases, they shut down. We have done a lot of programs incentivizing people for takeout; for example, partnering with the National Restaurant Association for the safe reopening of this very important part of our communities where people get together to celebrate that very meaningful moments that we all have in our lives.

Michel, there's very few companies that really are as close to the consumer as you are. And as you saw how the consumer reacted to this period of time of social distancing, to changes in social justice over the past year, I know you talked about three phases: Phase One, fear and seeking knowledge; Phase Two, staying home and anxiety; and Phase Three, desiring to reorganize their lives and move on. How did you interact with your consumer, and what did you learn from their reaction that you broke it into three phases?

We are a company that we proud ourselves on this idea of people first. And when we talk about people, of course, consumers are at the center of everything that we do. And we need to understand what they want so we can tailor our product offerings and our communication with these consumers. And by understanding how they felt during the pandemic, we could then adjust not only our advertisements, but also our product line. And the advantage of being a global company was that we could learn not only from the consumers here, but from the consumers around the globe, because they were going through different phases, right? So the pandemic started in Asia, move it to Europe, hit the Americas, and then the cycle restarted again in Europe and in Americas with the second wave

Especially during the pandemic, there were two things that were very important to me. One, we establish what we call a digital pulse; we kept interacting every week with

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thousands of consumers using the opportunity that they were at home. We use technology to interact with consumers in a digital way to send them images, content, questions, sometimes a product. We do a lot of sampling for example, and we could not do them in the stadiums, so we shipped products for consumer’s houses so they could taste the product and then give us feedback.

It was very clear for us that there were three phases for consumers. The first one was people were afraid of the virus

and seeking information. And when this was happening, we draw a little bit of our advertisement because you can imagine it was people drinking beer out of the home in stadiums and at the beach; and all those things were not happening during the first phase of COVID. So as I said before, for example, Budweiser partnering with the American Red Cross in recognizing the frontline workers and making the call for action for people to donate blood, right? So it was a very different type of advertisement for Budweiser.

Then on the second phase, when people were trying to understand how to reorganize their lives, how to leave in confinement, we start doing, for example, the live sessions. We brought artists musicians to do concerts without a physical audience, but digital audience. And then we reach out to millions of people with Bud Light live concerts; we had Michelob Ultra sponsoring physical activities because people could not go to the gyms. We brought the instructors, the personal trainers to go live and do programs for

people to watch at home and keep their feet working at home, which is one of the missions of Michelob Ultra – “live fun live fit.”

And then Stella Artois was sponsoring chefs and restaurateurs to help people to cook at home so they could spend their time with family and enjoy life and have the sense of normalcy. And then more to the backhand, when sports came back, we continued to support our sports fans and the sports viewership in the digital way. So we partner, for example, with Microsoft and the NBA to bring the fans closer in the stadiums with a virtual setting. So people were there virtually watching the game and the players could feel that atmosphere inside the stadium even though there were no fans inside the stadium.

So we adapted a lot. We reorganized our communication and our teams and we just recognize the way that our own people, our partners, our agencies, our employees are performing during this pandemic is second to none. We never saw such an agility, creativity, engagement from our people and resilience in working through this pandemic. I'm very thankful to the partners and the colleagues that I have in everything that they have done in 2020. And they continue to do now in 2021; very proud of the team that we have and the partners that we work with.

“We are producing a beer, which is the first of its kind, that's 100% organic. Every time that we sell a case of Michelob Ultra Organic, we can transform another space in the United States to organic farming. Very few of the farms in the United States in the space that we have are organic. Once you go organic, it's very good for the entire nation.”

The company is 165 years old and there's more than a hundred products and brands in more than a hundred countries. What have you learned by working in each of these markets – North America, Asia, and South America? Are they similar or do you have to use different strategies in your leadership and these parts of the world?

Often people will ask me about how we adapt and learn. I think that consumers today, globally, they are becoming much more similar than they are different, and this is evolving over the years. I credit that to the access of information. I think that the internet of things, the way that companies are globalizing – before the pandemic, there were more people traveling than ever in history – I think that behaviors are becoming more and more similar, but at the end of the day, consumers are also very local.

So of course a consumer in Thailand or in Vietnam is different from a consumer in Uruguay or in Brazil or in the United States. And in the United States, an Alabama consumer is very different from a California consumer or a Texas or a New York consumer. But basically the mega trends that are driving those consumers, they are very

similar. And in our case, in consumer goods and in beverage, we say that the mega trends are: one, this search for health and wellness. So everything that is better for you, that has less calories, less carbs, less sugar or more vitamins, or is more nutritional, is getting a bigger traction than products that are what we call like empty products that do not care about what consumers want today.

So one of our most successful products, for example, in the United States in the last three years is Michelob Ultra Organic. We are producing a beer, which is the first of its kind, that's a hundred percent organic. And every time that we sell a case of Michelob

“Innovation in Asia is not how innovation works in the Western world. [In the U.S.], sometimes from designing a product to go to market takes a company two years, three years. In Asia, this needs to happen in a hundred days. This is how Asian companies work, and we brought this to the United States.”

Ultra Organic, we can transform another space in the United States to organic farming, which is very important for the overall recycling economy, because very few of the farms in the United States in the space that we have are organic, and once you go organic, it's very good for the entire nation.

The second mega trend that's still there is premiumization. So because beer is very affordable, luxury in beer is also available and assessable for

everybody. And consumers are learning more about the brands, are learning more about the ingredients and what we bring to the table, and they are going premium. They are going premium globally; they are going premium in the United States.

The third megatrend is people are looking for brands that have a point of view, that are authentic and have a story to tell. This is true in the United States; you just think about the craft explosion and how premium brands are emerging. But also international brands. You think about Stella Artois, for example, has hundreds of years of history – 1366 – was brewed first to celebrate Christmas. And now is the most sold Belgium brand globally. And people engage with this history and heritage.

The fourth thing that's really driving consumers globally is digital and e-commerce. And this is a very powerful force. You feel this strongly in Asia; you are feeling this now strongly growing in the Latin America countries where they are leapfrogging with technology the traditional trade; and even in the United States, where you see giants like Amazon. But in certain industries, you have restrictions, like in alcohol because of the three-tier system is much more complicated for e-commerce to develop, but it is developing very fast. So you see today from Walmart to the small players are growing, and consumers engage very strongly with the digital commerce through the pandemic.

And of course, I think the fifth thing that was very strong during the pandemic was what we call “trusted known brands.” Because consumers were shopping on the rush, because they were shopping much more in groceries than what they were using before, there was this huge conversion for brands that consumers know and trust, and the big brands performing very well during the pandemic.

When you think about the learnings that I've had through the different markets, I think that the number one for you to work in several different countries, to have an international career, and even if you stay only one place, you need to be open to learn every day. At the beginning, I was very privileged to work in Brazil and in Latin America because things are changing every day and they were changing very fast. So I had to learn how to adapt and how to work very close to the front line where things were happening close to the consumer so I could adapt the rest of the backbone of the company to the fast changing consumer.

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Innovation in Asia is not how innovation works in the Western world. So here, sometimes from designing a product to go to market takes a company two years, three years. In Asia, this needs to happen in a hundred days. This is how Asian companies work. And we brought this, for example, to the United States and today we work innovation here from designing to launching products sometimes in hundred days. And we have done this even last year through the pandemic; we brought a lot of innovation to the market, tested very quickly, and if works, you scale it up. If it doesn't work, you just move on. So that was a big learning from Asian.

I've been learning a lot by visiting all the states in the United States. So I've been so far to 47 states, and I have covered in the first year that was here, 27 states, which is by a lot of land being covered. We have more than 500 wholesalers here, and they are amazing business owners, and I learn from them all the time. We have what we call our wholesaler panel; we interact with them every month, every quarter. We have meetings to discuss the business and how to improve that. And of course our retailers are an endless source of learning and insights and information that we can use every day.

And hitting the U.S., I think it's about having an ambitious goal, and now our ambition is to lead future growth. We want to be the company that contributes the most for our retailers and wholesalers for their business growth. It's about working with our employees and our communities to be strong - why do we have our businesses. And it's about having a leadership position in the overall industry, making the industry better, making the industry healthier, and making sure that we are contributing through

innovation to make this industry a vibrant one for the next 100 years. And I can tell you that it's been a humbling experience in which I'm very happy to have the fortune to be here in the United States at this moment. Which I think that is a thriving one transformation and one for the whole world.

We want to thank you for your leadership particularly, Michel. I think today, the realization of how far you reach down to the farmer, distribution, packaging, manufacturing, the retailer, and the financial strength of the company that has allowed you both to maintain your relationship and supportive communities and of your partners. And once again, thank you and your team for what you've contributed during this most difficult period.

Mike, thank you for having us. It was a pleasure. We know that 2020 was a very tough year. Our hearts and minds, they are always with people that suffered through this pandemic. I think that the little that we have done was with the intention that they be always has to help and to support our communities. We want to be part of the economic recovery. We are optimistic about what can be done in 2021. And we are humbled for having the opportunity to be part of that.
