Heineken Capital Markets Event Q&A 1

Thursday, October 23, 2025

Tristan van Strien Thank you, Bram. I think, goosebumps. If I can ask Dolf to join us as well, and we're just going to have 30 minutes of a Q&A session to start off with, before we break for lunch on that side. So who wants to go first? Yes, I know which one. Eeny, meeny, miny, moe. Trevor. Trevor, please. Can we get a microphone, please, for Trevor here up front?

Trevor Stirling Heineken Silver. Last time we were with you, Dolf, we spent a lot of time talking about Heineken Silver. It's been a huge success in Asia, but it hasn't worked to the same extent outside. So I guess one is, what learnings have you taken from that? But also, the research process. When you talked to us two years ago, you had huge confidence that Silver would work outside Asia. And it didn't. So what have you learnt about the research process as well to make better decisions going forward?

Tristan van Strien Do you want to take that?

Bram Westenbrink Yes. So Heineken Silver started in APAC, and it was a very big success in Vietnam. And to your point, when we started scaling it outside APAC, we did a lot of research. And the research was extremely promising. I think we scaled it too big in Europe from the start. But what it has learnt us, that we do much more in-market testing. Because as you see on the penetration stories, the say-do gaps, if you ask consumers something, it's not that they always give you the right answer. So that's what we have learnt a lot also in innovation.

So therefore, you see we have now a Heineken Studio where we experiment straight with consumers face-to-face. And then we do in-market pilots to really be sure we can craft our proposition, make sure it's 100% successful before we go out and scale things. So that's, I think, one of the biggest learnings and what we have adjusted internally.

Trevor Stirling Can I just follow up though? What was it about the proposition that has resonated so well in Asia but hasn't outside Asia?

Bram Westenbrink Yes. Well, if you look, and you were there in APAC, but basically in Asia, the biggest barrier that Heineken had was the bitterness. And it was a very big barrier in the market, that a lot of consumers were drinking more sessionable beers. So you can imagine, the market was already there. There was a big sessionable market. And we premiumised it through Heineken Silver.

If you look at Europe, there isn't a big sessionable market. We wanted to create the sessionable market. So I think that is the biggest difference between APAC, where you're playing in a place where the market is there, versus in Europe, where you needed to create the market. And there, we didn't take that much time to do it. We maybe went a little bit too fast. But those are the biggest differences from a consumer perspective between APAC and Europe.

Dolf van den Brink But we were basically too impatient. Where we took it very cautiously, deep consumer insights in Ho Chi Minh City. And then we launched, and then we took it to Vietnam, and then two years later to China. Then we thought, hey, we have the formula, tested well in consumer research, because actually a lot of consumers like more sessionable. But mentally, it didn't exist in Europe.

And then in the middle of COVID, we did too much of a one-size-fits-all launch, yes, and the rest is history. And so the beauty is what you tasted last night, Heineken Fusion, Heineken Ultimate, it's not just offline testing with consumers. We're doing real-life pilots in markets to see if it works. Yes.

Tristan van Strien Okay, maybe Sanjeet up front here. Maybe afterwards, Ed, just to keep [inaudible 02:47:48].

Sanjeet Aujla Hi. It's Sanjeet from UBS. Dolf, you acknowledge the beer category has gone through a period of taking pricing ahead of inflation. As you think of out to EverGreen 2030, do you need to go through a process of pricing below inflation, and then relying on leavers like RMG to make up to CPI? Is that how we should think about it? Or is the intention still to price in line with inflation, and RMG gives you an additional benefit above inflation on top? That's my first question.

And the second one, maybe for Bram, is around the mainstream brands in the developed markets. I think this has been the Achilles heel of the beer category for a long time. What are you doing differently now to make sure mainstream is really healthy? Again, specifically on mainstream, do you need to ensure better affordability and price below inflation for that segment?

Dolf van den Brink Yes. Hey, Sanjeet. Thanks for the question. It's important to be very nuanced in the answering. First of all, let me repeat. The situation that we had the last couple of years was extraordinary in historical perspective, that our input cost was sometimes a multiple of the consumer inflation. And that really created a pickle, where we decided as an industry in the end for euro-for-euro pricing. So our gross margins were still under pressure, but you ended up with taking pricing above inflation. That's not sustainable. So we do need to moderate pricing.

Mid-/long term, the sweet spot is to take pricing at or above your input cost inflation, through all your work you are doing, on procurement, on value engineering, etc., make sure that your input inflation returns to structurally below consumer inflation and take pricing up to consumer inflation. And in some markets, that might be a little bit below. In some markets, it might be at inflation. You really need to look at that by market archetype, by local competitive conditions, what have you.

But the sweet spot is above your input cost, up to consumer inflation. That's where we want to be. There's always two equations, and we call it the brand value equation, is price-value. So you have your price on one side, but it's also the brand power that you have. And we really see, and this is something that we take pride in at Heineken, it's continuously investing through creativity, through strategy, boosting the value part of the brand value equation to avoid that you become too dependent on the relative price.

And we see brands like Savanna and other brands with very high brand power having significantly lower elasticities. Now, there's no shortcuts there. That takes a lot of the tools, a lot of the approaches that Bram was sharing. So above input, below consumer, but also actively investing in strengthening brand power, because that ends up being less price elastic, giving us a little bit more room to manoeuvre.

Bram Westenbrink Yes. And then on your second question, mainstream, I think one of the biggest shifts we are doing, we were spreading ourselves too thin. We were supporting too many brands also within mainstream. And in mainstream, it's a scale game and it's a focus game. So the number one thing is we are really focusing, in the developed markets, what is our mainstream brand that we want to win with, that it starts with? And then we fund it and invest in it in the right way. So we were scattered too much, and we are focusing. That's the first thing.

And we also really use the brand value equation again to really understand, because we know which part of equity correlates the most with price now, as we have gone [inaudible 02:51:42]. And you see that mainstream brands also need more innovation. And we haven't been innovating enough on the mainstream brands to create enough value. And therefore you see the repeatable solutions I shared with you over, and this is our way also to create more value through innovation. And sometimes, like within the UK, it is really by re-imagining mainstream, by adding a new brand like Cruzcampo. But it starts really with focus.

Tristan van Strien Thank you, Bram. Maybe Ed, please. Thank you.

Edward Mundy Ed Mundy from Jefferies. So one question for Dolf and one for Bram. Both are on the same theme, which is sharpening your resource allocation. If we take the 17 focus markets I think that you've highlighted, I think that's about 70% of your global volumes, I think. And perhaps just a clarification around that. But how do you ensure that the other 50 OpCos, the remaining 30%, don't get overly starved and don't end up dropping the ball, given it's still a sizable part of your business? That's the first question.

And then the second, very interesting statistics around 25% fewer invested brands by 2030 as you address that tail. Could you perhaps talk about, in the round, does that mean that you've got… Obviously, 80% of the money's going to go behind your big focus, but in the whole, do you think the pie for marketing and selling still needs to grow? Or does this just free up a reallocation of resource behind your biggest bets?

Dolf van den Brink Yes. Thanks, Ed, for the question. So on the first one, on strengthen, indeed, those strengthen markets are really key. And there are beautiful, powerful operating companies like Austria, like Portugal, like Ireland, and we have it across the globe. Deliberately, we call it strengthen. So we still have bold ambitions in those markets, but in the resource allocation, the bulk of the incremental capital will go to lead and challenge markets.

Because typically, those strengthen markets are lower-growth, more mature markets. But some of our best marketeers, some of our best commercial people are actually in those strengthen markets, because there's still a lot of value creation by smarter, more effective commercial strategies in those markets.

So the differentiator there is really on capital allocation, cash flow generation, but by no means it is a lower ambition on the commercial strategies. Resolve OpCos are very different. That, indeed, we are much more, yes, discerning in terms of, okay, there are some radical implications potentially for those markets.

Bram Westenbrink Yes. Was there the follow-up question?

Dolf van den Brink There was a second question.

Bram Westenbrink So if you look at resource allocation in strengthen markets, like Dolf said, commercially it is not about that we are not investing there. But what we want, by curating much more focus, you know which brands you are feeding. By our brand stage model, we know exactly which brands need how much funding, because how much stronger are they versus the competitor? And with the repeatable solutions and the efficiency that Freddy.ai will give us, the 20%, that will help for sure in that area.

That will mean, in the 25% that we are investing less in, there will be brands declining. But if you look at the way you do that, we call that sunsetting. You don't do that overnight, and you don't want to lose market share, and you don't want to lose shelf share while you do that. But we have successful cases in how we do that.

Tristan van Strien Okay. So go…

Questioner [Inaudible 02:55:27].

Tristan van Strien So you're basically asking, does the marketing pot still need to grow? Absolutely. Just to repeat the question.

Dolf van den Brink Yes. So we are quite deliberate about the above 10%. And I think, Harold, you're also speaking about that later on. Pre-COVID, we were about 10.8%. UBL India and Distell are actually dilutive because of the wine portfolio in South Africa and India being a dark market. So that dilutes by around 30-40 basis points. So we're still about 40-50 basis points below pre-COVID.

We believe by two things. First, we want to make sure that we keep increasing also the relative investment as a percentage of revenue to above 10%, and we are not yet there. So that is a clear direction. We believe that we are and can still focus much more, because we were again diluting our investment by spreading it over too many brands and doing it in too much a one-size-fits-all way. So there's a big opportunity there, which we are already harvesting.

And I dare say, on the core strategic brands in the lead and challenge markets, we're significantly spending more now than before. So it's not just that ballpark number, it's really how we spend it. And then the whole efficiency, effectiveness, improvement driven by Freddy.ai is still to come. And that's why, deliberately, we kept it a bit open-ended, above 10%, because we need to see how many efficiencies are we going to get, how much effectiveness, etc. I still would expect the absolute investment to continuously go up.

Tristan van Strien Yes. I've got Simon Hales here in the front. Other side, Simon. There we go.

Simon Hales Yes, thank you. Simon Hales from Citi. Dolf, could you just follow up a little bit more on the resolve markets? Clearly, you've stepped up some exits in recent years that you highlighted. How many markets are currently in that resolve bucket? I appreciate it could evolve and ebb and flow over time.

And how do we think about the financial implications of those exits over the next few years in the context of the metrics you've laid out this morning? I'd imagine you'd see some acceleration, probably, in organic growth as you exit some of those underperforming markets, but probably could see some EPS dilution as you go through that journey. I'm just trying to square the circle, given your commitment to EPS growth ahead of, or at least with, profit growth going forward.

Dolf van den Brink Yes. Also for competitive reasons… Because if we would advertise which are those markets, that would become a self-filling prophecy, if you like. And let me start by saying, I personally sent a personal message to each of the GMs of those markets to inform them, we are classifying you as this. And that means three things. Either you fix it, or you partner, or you exit.

So it is not per se an exit. We give those markets notice, current momentum is unacceptable, let's be clear. But still, if there is a credible path to fix it, by all means, let's go for it and let's have that conversation. But if the odds are just so stacked against us because of whatever reason, too small market position, macroeconomics too brutal, whatever it may be, let's then have the honest, open conversation.

Interestingly enough, every single GM answered me with a thank you note. And why? Because they always felt awkward, them. When you are a GM running one of these places, you know you are not where you need to be. So just by the honesty, the transparency of, hey, let's call a spade a spade this way, but by having the opportunity to potentially fix it and come with a plan to deliver that, to be invited for that was super well received, but then also the candour and transparency. It's not working. Let's really, in a coordinated way, either find a partner or find an exit.

So it's nuanced. It doesn't mean per se exit. But by putting that on the table, you create a very different operational intensity dynamic, which is also part of what we feel what was needed and maybe historically was not really happening in Heineken. Some of these places have been burning cash for two decades. That really needs to stop.

I'm not going to answer the question on how this will specifically change our overall numbers. But typically, these places are still consuming capital, because you have compliance or safety, maintenance to do. Basically, in aggregate, there's no cash generation, and the majority is cash-negative. So by resolving them, it will have a favourable financial outcome. And we still hope that there's a number of them will make it to fix and start moving up to a challenge market where we say, hey, okay, they're back in the game. Thank you.

Tristan van Strien Maybe Robert.

Robert Ottenstein Robert Ottenstein, Evercore ISI. Two related questions, and I know this first one's a tough one. But any thoughts or any visibility on when you'll be able to get to the more normalised mid-single digit growth that the category should be able to do, but obviously isn't there right now, and we don't have a lot of visibility on that.

And then related to that, I think you made a very good case that affordability is an issue, given the higher price increases above inflation. What can you do on the affordability side that still protects brand equity? Price pack architecture, revenue growth management, maybe more granular pricing, so pricing more in areas that are more affluent and not pricing in others. Maybe talk about those different levers. Thanks.

Dolf van den Brink Yes. Thank you. Look, on your first question, it's the one-million-dollar question. And I hope in what I shared that our confidence that the category will return to that mid-single-digit… No, let me say that the category returns to that around 1% volume growth, and that with our commercial strategy, we should be outgrowing the overall category, and we should be able to deliver that mid-single digit. That's what we are planning for. That's what we're designing for. That's informing the decisions that we're making.

But I don't know whether that's next year or the year after next. And we learnt a bit our lessons, to be more brutal in terms of planning conservatively, putting a lot of pressure on the P&L, making sure there's enough self-help in productivity, what have you. And hopefully, the category starts improving ahead of the budget that we have set for the year. So yes, I wish I could make this more definite, but that's why we're quite explicit in calling it a mid-term ambition. Over the next three to five years, that's where we need to be. And we believe that we will be there.

Short, short term, next six, 12, 18 months, to be honest, you guys read the news even more than I do probably. You know that there's still things happening in the global footprint. But we're really trying to do both, be clear on the strategy, the choices that we're making, the investments that we're making, and at the same time being cautious in the short term in how we budget to make sure that we don't get ahead of things, because then halfway the year, you start reacting, and it just saps a lot of internal energy that we'd rather spend on innovating, investing and what have you. On the RMG, do you want to speak to it? It's a little bit what you shared in your presentation, I think.

Bram Westenbrink Yes. So it's again, now that we have the brand value equation, we really can see easy in each market how are we doing on that value proposition compared to competitors, and are we off or are we on? And then you have two options. You can lower the price to restore it, or you can create more value. And there, it starts with.

And if you don't want to lower prices, but you also want to manage affordability, then the other levers become really important. And the good point of needing to step up RMG is that we still have a lot of headroom to use all the other levers much more intentionally. Price pack, we are now really accelerating and seeing the successes. But you have mix management, you have trade terms, you have a lot of others that we can accelerate.

But also there, focus really helps. If you know what brand has which role, which SKU has which role, some SKUs, they have the role of being affordable because it's managing the out-of-pocket. So the focus also really helps on that element.

Dolf van den Brink To give credit where credit is due, historically, we were way too blunt in our RMG. We took price increases across brands and SKUs until a couple of years ago. So finetuning our RMG capability, making it much more granular on segments, on brands, on pack types, on pack types by channel, making sure we have the data process system infrastructure in place, all of that is being put together as we speak to avoid that you need some very blunt things on pricing that would be really impactful on your P&L. And we really don't want to go there. Thank you, Robert.

Tristan van Strien Maybe Andrea in the back. One second.

Andrea Pistacchi Andrea Pistacchi, Bank of America. So two questions also for me, the first one on Europe, please. So net of the headwinds that the industry has faced in the last few years, your market share momentum, which has been very strong in the UK and in some other markets, it doesn't seem quite as strong as a few years ago when you were, for example, consistently outperforming the market, and by quite a bit in Italy and France.

Now, clearly you've led on price, which probably has had an impact, and you've talked about needing to improve mainstream. And you've said some of the things in the various answers now. But what do you think it will take to really get back to the more positive share momentum? Can you consistently grow share in Europe? And ultimately, do you think, with a difficult industry, can you grow volume in Europe going forward?

Dolf van den Brink Yes. Thanks, Andrea. Well…

Andrea Pistacchi And then, sorry, shall I just say the second one quickly, which is, it's on the US, actually. The US is one of your focus markets, 17 markets. It's been quite consistently difficult for you. So what can you do to improve the trajectory there?

Dolf van den Brink Very good. Thanks, Andrea. So on Europe, it's important again to be specific. Last year, our volume was positive in Europe. It was positive in all four regions, including in Europe. We were very cautious on the pricing as we are restoring the brand value equations. But last year, we were growing in Europe, and we had very strong market share results in Europe last year across key markets.

This year, we're struggling, partly really driven by three markets, France, Germany, Netherlands, driven by those retail negotiations that we have been in a way lucky that we had not suffered that for many years. But this was really our turn, a year before some of our competitors. We saw [inaudible 03:07:17] having a big impact. It's taking longer than expected to come back, because we resolved them halfway the summer, far away from spring or autumn resets. So it's taking a bit longer, but we will resolve them. And for next year, that will be a net positive in a cynical way.

Then there are a couple of markets that we worry about. We worry about Poland, where you're in a weak market. We're struggling. A market like Italy, we had led the premiumisation wave and done a phenomenal job on Ichnusa, Messina, and to some extent, Brand Heineken.

If there's one market where the brand value equation is not in the right place, it's Italy. So you see a rebalancing in the market. We are having good momentum with Moretti, our mainstream beer, which is actually very healthy. But indeed, we are trying to find the right rebalance between our premium portfolio.

The essence of what I'm saying is you really need to look at it market by market. But I'm pushing back against the notion you're losing share in Europe. No, we were growing in volume, were growing in share across the board last year. This year is a tough year. It is specific, market by market. And I'm very confident that under the leadership of Glenn and the GMs, we're addressing them and that will turn around, as it should.

On the US, yes, I think the US is the most extreme market right now in terms of softness. Mid-single-digit declines across the market, whereby premium was always leading the category until about a year ago. But yes, in particular, what's happening with immigration, the ICE raids, etc., that core Hispanic consumer, where imported premium brands are really over-skewing with that core Hispanic consumer, is highly disrupted. So indeed, we are, yes, very unsatisfied with our in-year performance.

We are very clear on our strategy. We have two incredible brand assets, brand Heineken and brand Dos Equis. On 0.0, we continue. Even six years into the launch, we're still growing the brand. 24 consecutive quarters of growth. As a single flavour, we are still the number one 0.0 proposition in the market. But on your legacy business, Heineken original, Dos Equis, there's really work to do. Part is the market, and part is us.

I'm very happy we hired Bill Renspie, the former Chief Commerce Officer of Constellation. He joined us as of 1st October as our Chief Sales Officer, so really providing a fresh pair of eyes, somebody with a very high standard. He led, to a large extent, the growth trajectory of Constellation over the last decade. So excited to have Bill join the team. So those are a couple of thoughts on the US. Thank you.

Tristan van Strien Brilliant. Maybe one last question before we go to lunch. James Edwardes Jones.

James Edwardes Jones Thanks, Tristan. James Edwardes Jones from RBC. A couple of questions, quickly. You said 80%, I think, of the investment will go behind the five global brands. What is it at the moment? And can you give us any insight into the profitability of those global brands? I guess we can sort of work out Heineken, but anything you can say about the rest would be really interesting.

Bram Westenbrink So 80% is about five global brands and the 25 power brands. So it is for that. We will not reveal what it was, because we don't want to indicate the shift. And what was the second part of the…?

Tristan van Strien Profitability.

Bram Westenbrink The profitability…

Tristan van Strien Of global brands.

Bram Westenbrink It's higher, significantly higher than the average, but I cannot indicate…

Tristan van Strien We'll leave it at that, James.

Bram Westenbrink Yes.

Tristan van Strien Okay. I think we'll just wrap up the Q&A session for now because we're going to go to lunch. And we'll have another…

Dolf van den Brink And I'm sure people know where to find us during lunch.

Tristan van Strien Yes, so…

Dolf van den Brink Because everybody has a lot of questions.

Tristan van Strien Questions.

Dolf van den Brink So feel free to approach any of us during the breaks to continue with your questions.