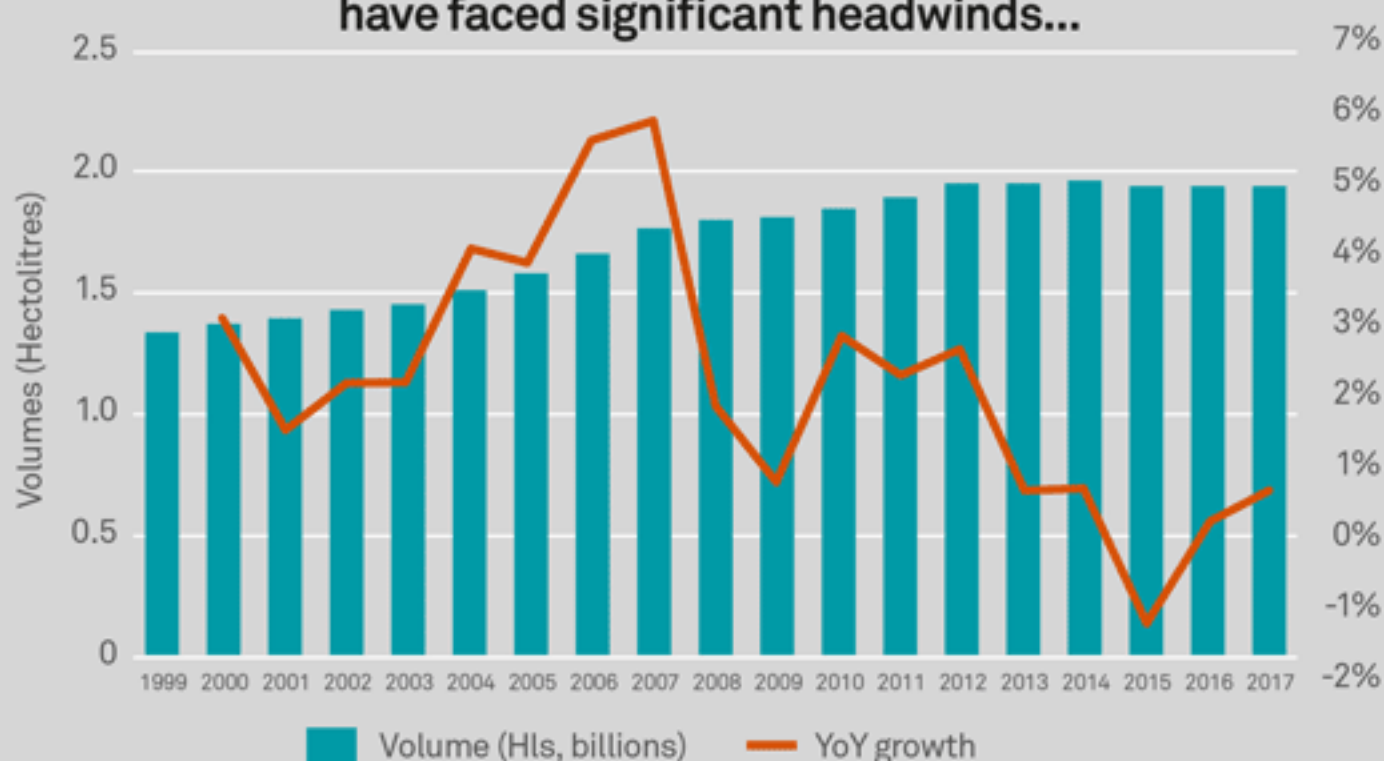


Positive sales brewing in the beer market

While global beer volumes and growth have faced significant headwinds...



Source: GlobalData, May 2018.

market forecasts are looking brighter...

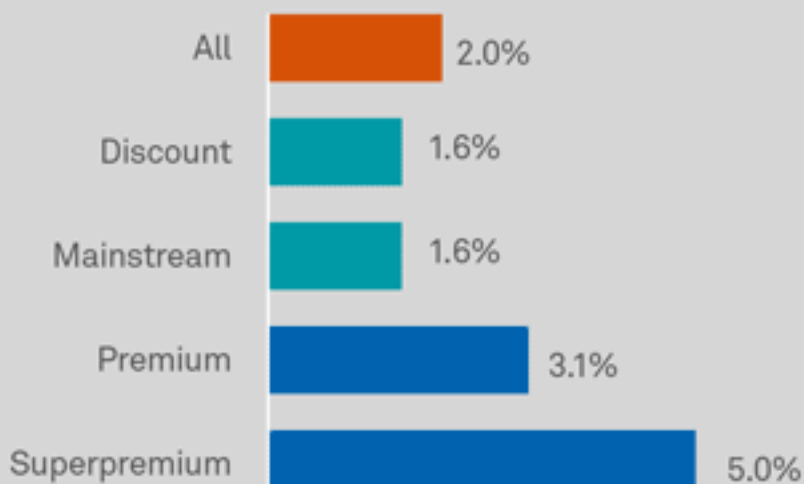
Global beer market forecasts (2016-22) look much brighter



Source: Zion Research Analysis 2017.

buoyed by premium beer sales in developed and emerging markets

Global beer growth by price segment
Cagr 1999 - 2017



Source: GlobalData. As at end 2017.

The beer market is highly concentrated with the top five brewers producing around 50% of global volumes and controlling approximately 65% of industry profits. Volume growth has slowed and has been broadly flat in recent years due to both macro and more structural issues within the sector.

A recovery in emerging markets, where per capita consumption of beer is still relatively low, should see the category return to growth. But more structural demand headwinds, particularly in developed markets persist. In many developed markets, demographics are less favorable, per capita consumption is mature, and younger generations of consumers are drinking less alcohol than their parents and grandparents.

However, it is not all doom and gloom for brewing companies in these markets. While volume growth has stagnated, consumers are aspiring to “drink better” , trading up to more expensive craft beers, low/no alcohol beers and flavored malt beverages. Emerging markets have also seen increasing demand for premium products, and the roll out of higher-priced global brands has accelerated.

In our view, this desire for more premium beverages in both developed and emerging markets has driven category value higher, even as volume demand remains flat.

Paul Flood – Portfolio Manager at Newton Investment Management, a BNY Mellon company

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MARK-41958-2018-11-12