

CreditSights European Outlook Conference

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European Consumer: Spending vs Pricing Power

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Out Of The Pandemic Into Economic Turmoil

Geographic
Exposure



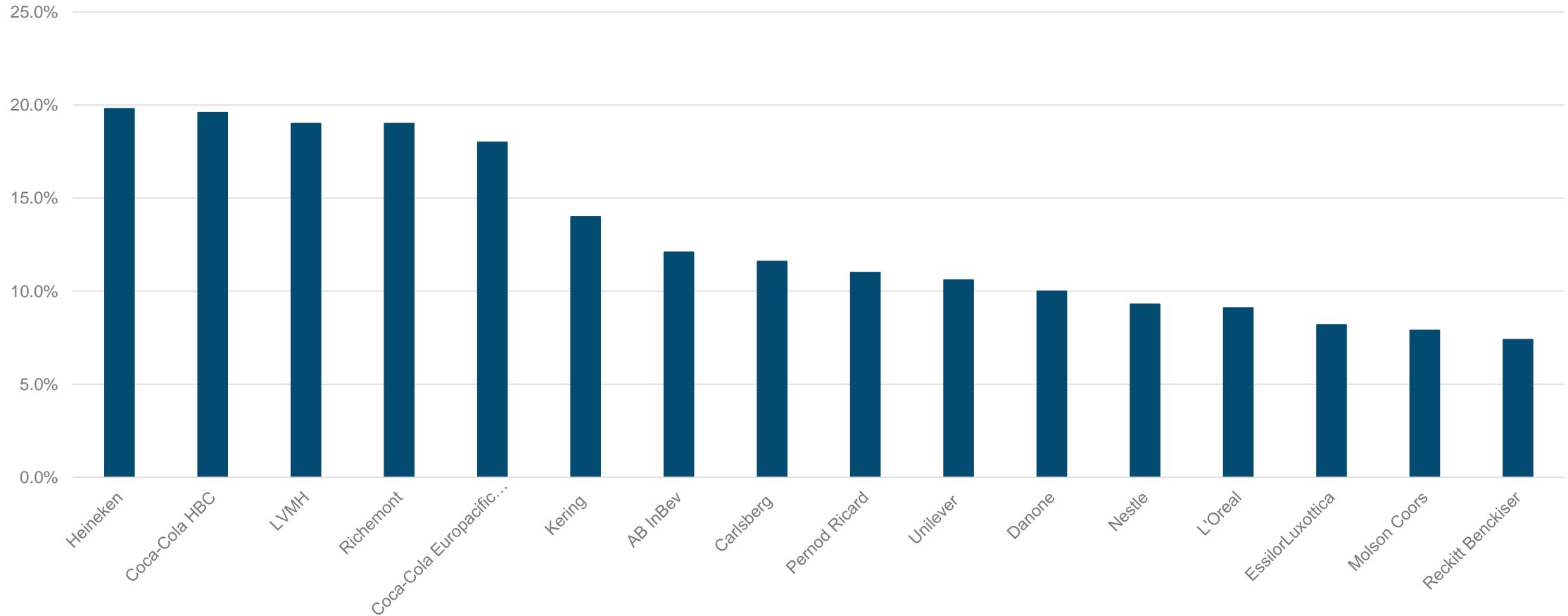
Spending vs
Pricing Power



Inflationary
Pressures

So Far, Consumers Have Been Willing To Swallow The Higher Prices...

Organic* Sales Growth (%) in 3Q22



But Will This Persist In 2023? And Which Categories Will Fare Better/Worse?

Branding Power vs Downtrading



Commoditised products most at risk



'Lipstick Effect'



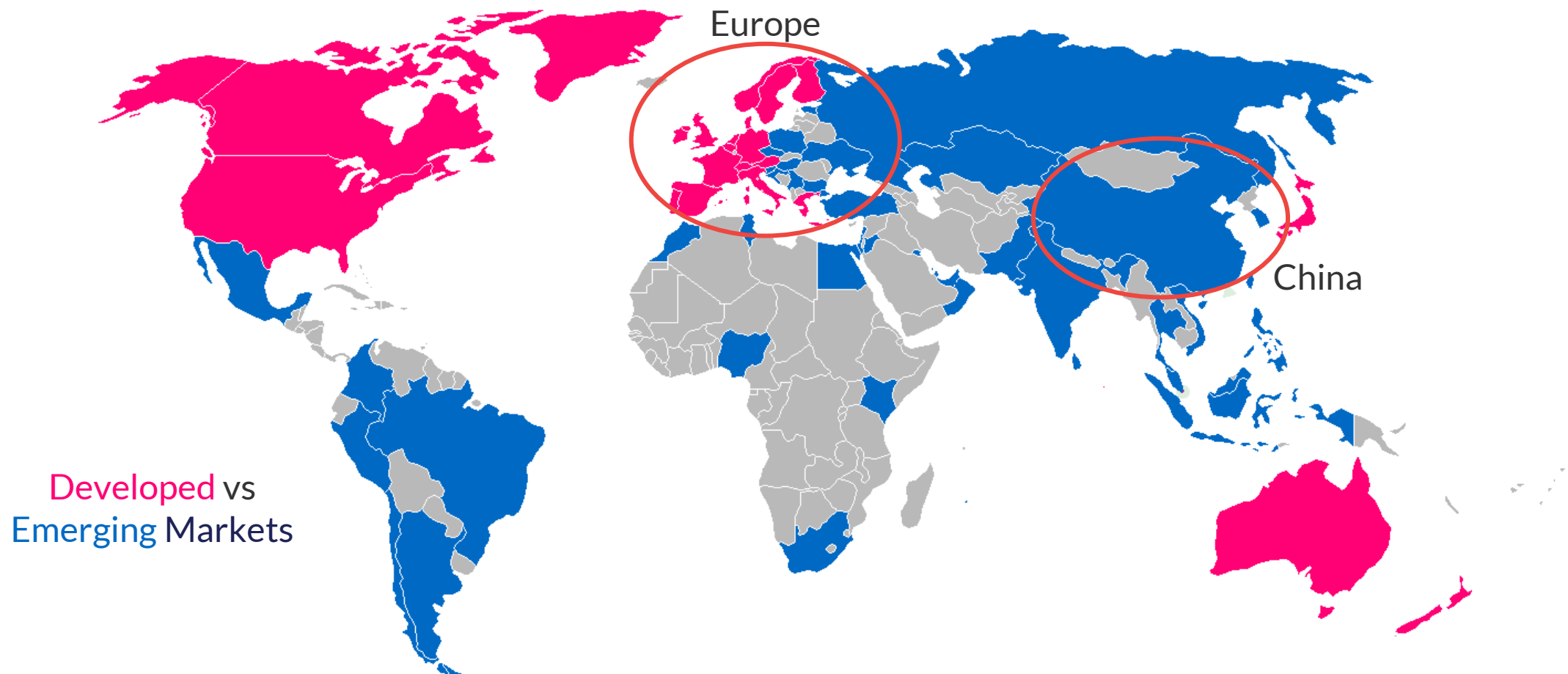
Are luxury products insulated?



Channel Shift?



Operational Performance May Vary Across Different Countries



Inflationary Pressures Will Persist Next Year

- Commodity costs cycling 1H22
- Supplier conversion costs (energy/labour inflation)
- Currency effects (stronger US dollar increases local cost of raw materials)

YoY Operating Margin Heat Map				
Company	Period	'21	'22	YoY
AB InBev	3Q	28.2%	26.9%	-1.3%
Carlsberg	1H	16.5%	18.2%	1.7%
Coca-Cola Europacific Partners	1H	11.7%	12.7%	1.0%
Coca-Cola HBC	1H	10.8%	11.0%	0.2%
Danone	1H	13.1%	12.1%	-1.0%
Diageo	FY22*	29.3%	28.5%	-0.8%
EssilorLuxottica	1H	17.4%	18.4%	1.0%
Heineken	1H	16.3%	16.0%	-0.3%
JDE Peet's	1H	19.5%	16.2%	-3.3%
Kering	1H	27.8%	28.4%	0.6%
L'Oreal	1H	19.7%	20.4%	0.7%
LVMH	1H	26.6%	27.9%	1.3%
Nestle	1H	17.4%	16.9%	-0.5%
Pernod Ricard	FY22*	27.5%	28.3%	0.8%
Reckitt Benckiser	1H	22.7%	25.6%	2.9%
Richemont	F1H23**	27.8%	28.1%	0.3%
Unilever	1H	18.8%	17.0%	-1.8%

Event Risk: M&A, Activism, Shareholder Rewards, New CEOs

- Bolt-on deals and disposals will likely continue (watch out for luxury, petcare)
- Shareholder rewards might rise if no M&A
- Keep an eye on activism
- Management changes (Reckitt, Unilever)



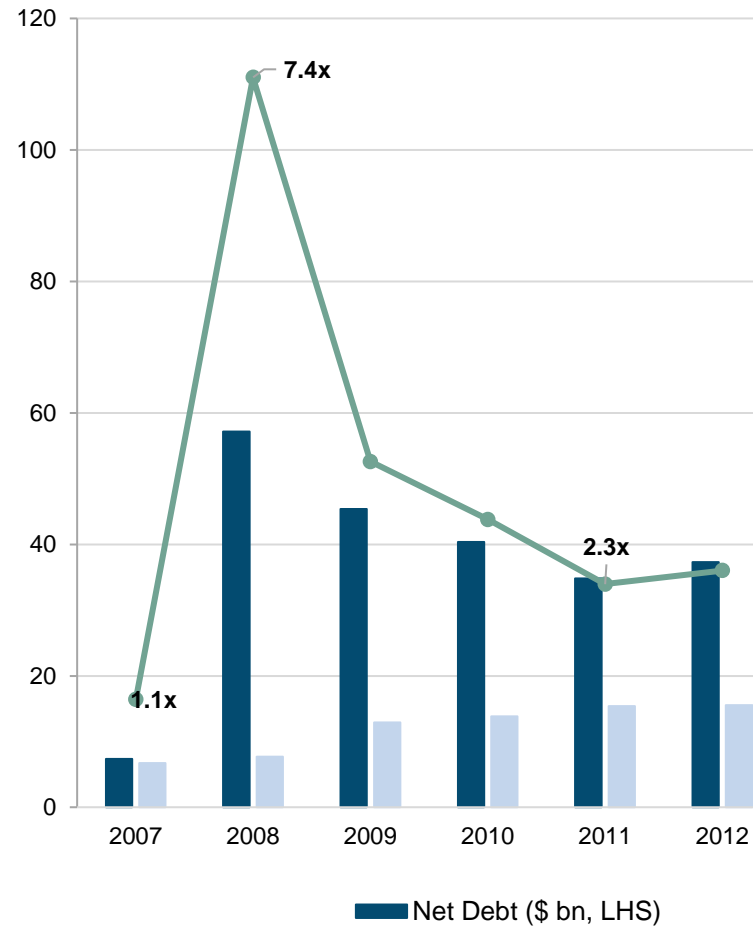
Issuance Outlook: More Green/SLB bonds?

- €18 bn of bonds (euro equivalent) falling due next year, across three major currencies, incl.:
 - Nestlé (€3.1 bn)
 - Unilever (€3.0 bn)
 - Diageo (€2.4 bn)
 - Danone (€2.0 bn)
- Heineken due to close Distell in 1H23 (€1.3 bn)
- Green/sustainability-linked issuance in the space saw an uptick in 2022, with new deals from L'Oréal, Pernod Ricard, Coca-Cola HBC and Südzucker.

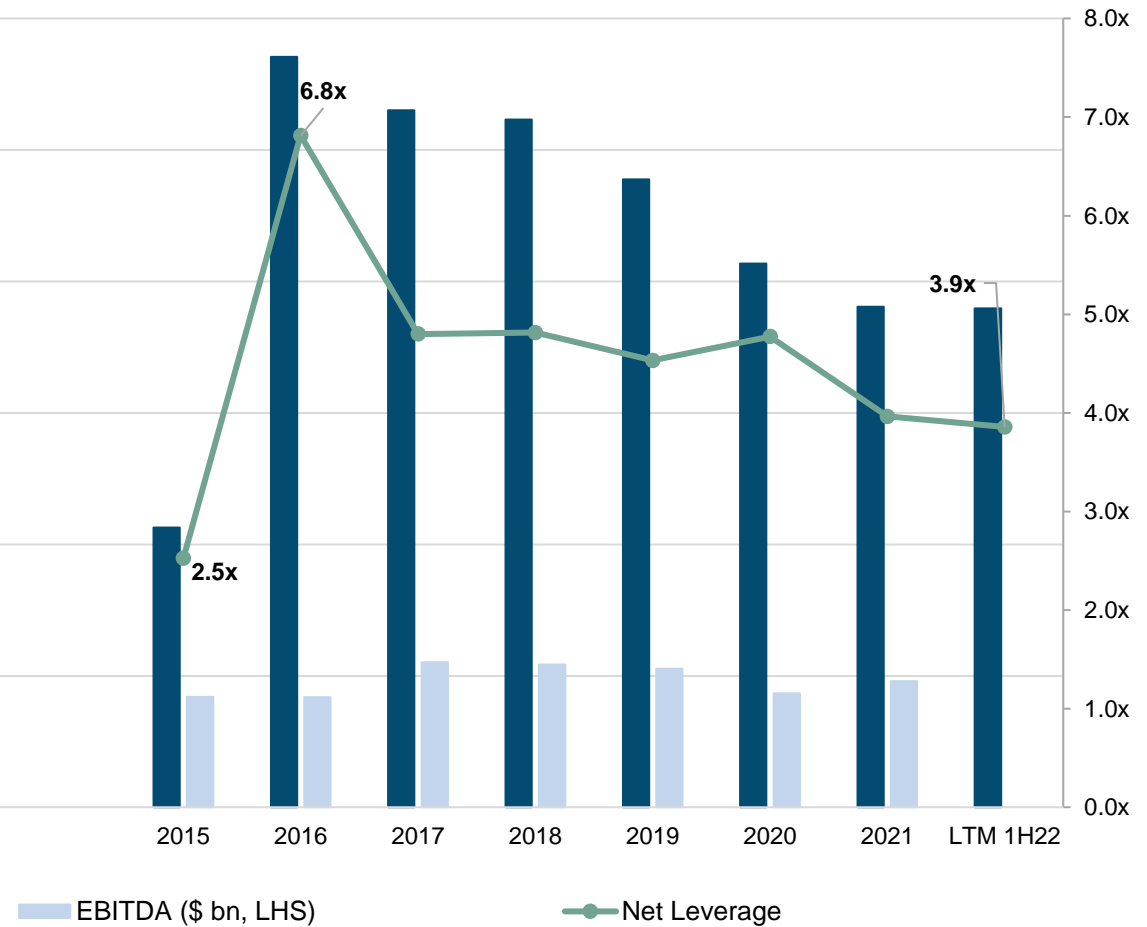


AB InBev: Joining The A-Team?

InBev acquires Anheuser-Busch (Nov 2008)



AB InBev Acquires SABMiller (Oct 2016)



Top Picks & Pans

Picks



RICHEMONT

Pans



Key Takeaways For 2023

- Brand and category positioning will be important
- Geographic trends may vary: watch out for Europe and China
- We expect stable to slightly weaker sector fundamentals overall, but cash flow generation should continue to remain robust



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