

EUROPEAN OUTLOOK CONFERENCE

LONDON

# European Consumer: The New Normal

Maryum Ali: Senior Credit Analyst, *CreditSights*

Jahan Miah: Credit Analyst, *CreditSights*

**CreditSights**

a FitchSolutions Company

Research

CovenantReview

LevFinInsights

# It's Been a Costly Year



Macro Volatility and  
Higher Rates



Cost Inflation

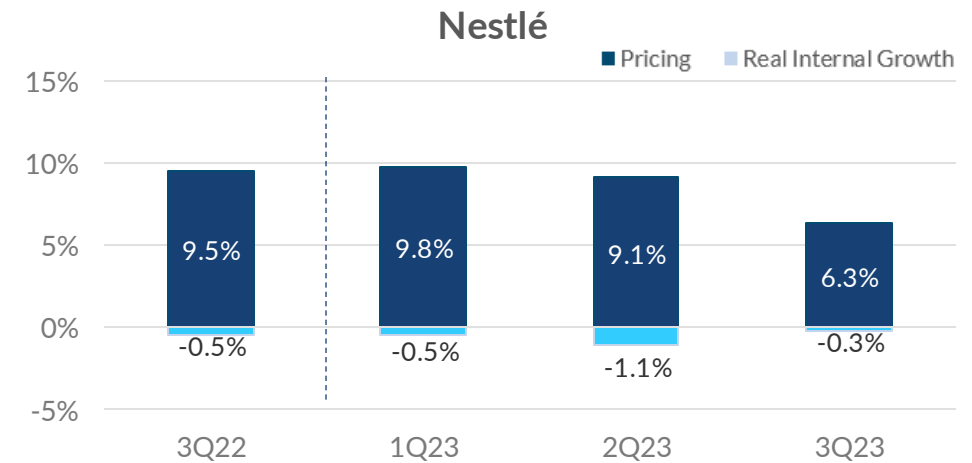
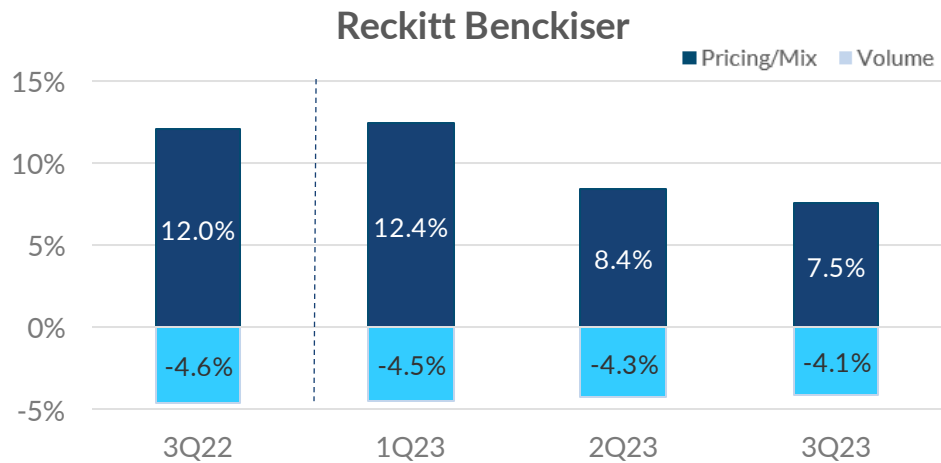
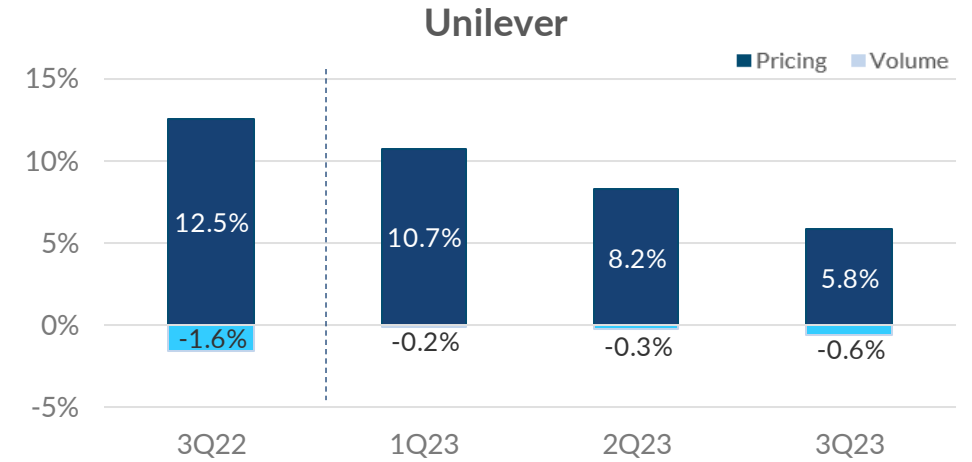
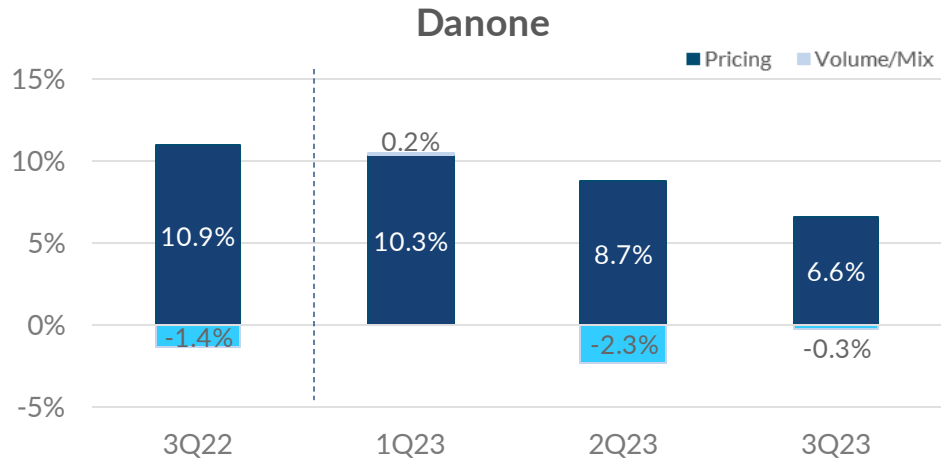


Geographic  
Exposure



# Driving the Topline: Pricing vs Volume

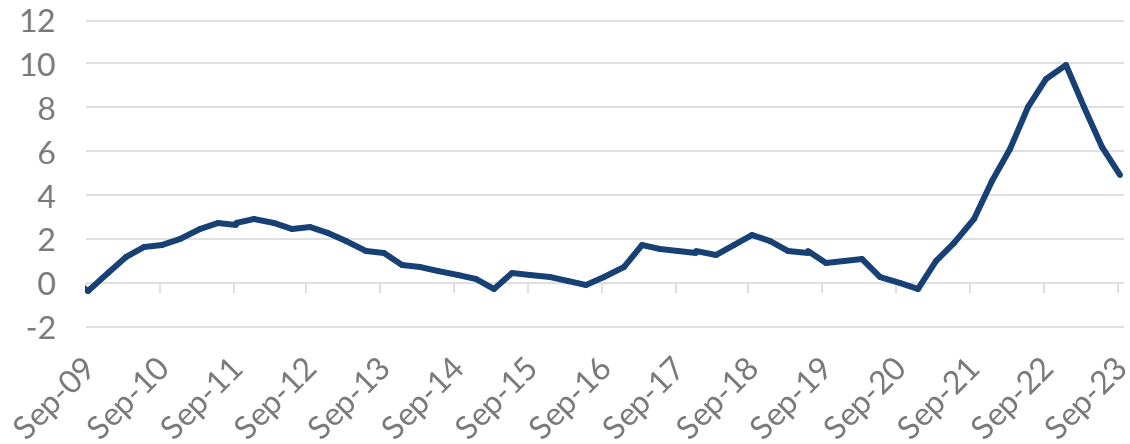
## 3Q23 Organic Sales Growth Breakdown



# Going in to 2024

- Pricing is moderating; focus is on volume/market share recovery.
- But what impact will this have on margins?
- How will consumer spending evolve in the higher-rate environment?
- Which categories (food, beer, spirits, luxury, beauty) will fare better/worse?

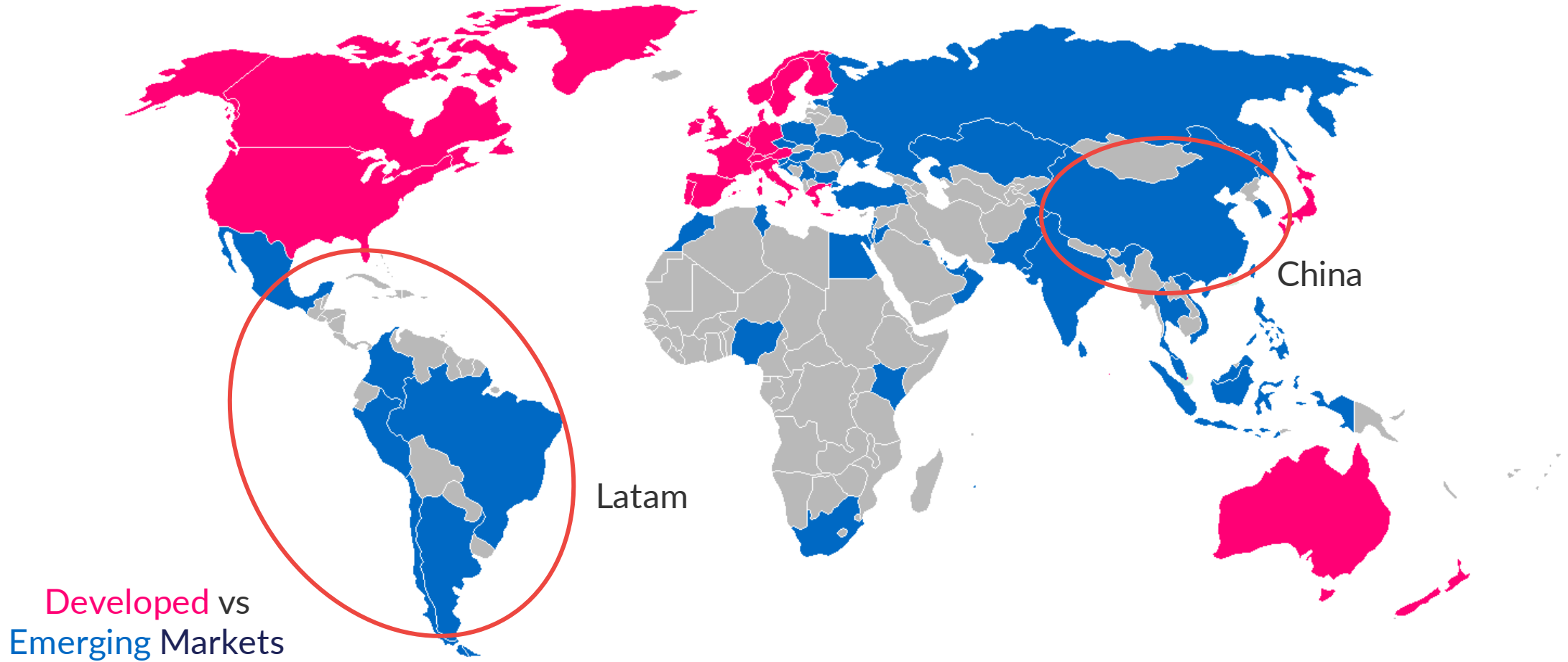
## Eurozone: Inflation Index (Annual Rate of Change, %)



## Consumer Sentiment



# Geographical Differences



# Event Risk: M&A, Activism, Shareholder Rewards?

- M&A activity has generally been limited but there has been a step-up in activity in the luxury industry i.e. Kering.
- Notable 2023 deals include L'Oréal/Aēsop and Coca-Cola Europacific Partners/Coca-Cola Beverages Philippines.
- Speculation about disposals by Pernod Ricard (wine) and Unilever (Elida Beauty).
- Shareholder rewards are rising in the absence of major M&A i.e. AB InBev, Coca-Cola HBC.
- Keep an eye on activism.



# Issuance Outlook

CreditSights' IG Consumer Coverage: 2024 Maturities			
	Euros (€)	Dollars (\$)	Sterling (£)
AB InBev	1,538	116	550
Asahi	1,600		
Carlsberg	1,000		
CC Europ.	500	650	
CC HBC	600		
Danone	2,000		
Diageo	1,000	600	
EssilorLuxottica	1,300		
Heineken	1,460		
JDE Peet's		500	
Kering	500		
LVMH	2,450		
Molson Coors	800		
Nestlé	1,150	2,650	
Pernod Ricard	650		
Reckitt Benckiser		2,000	
Richemont			
Südzucker			
Unilever	500	2,000	250
<b>TOTAL</b>	<b>17,048</b>	<b>8,516</b>	<b>800</b>

# GLP-1 Drugs: The Next Disruptor?

## What are companies saying so far?

“  
...the main upside will be seen in our Nestlé Health Science business...we consider any potential revenue exposure to be very limited...in my judgement, it gets fully compensated by the innovation opportunities.

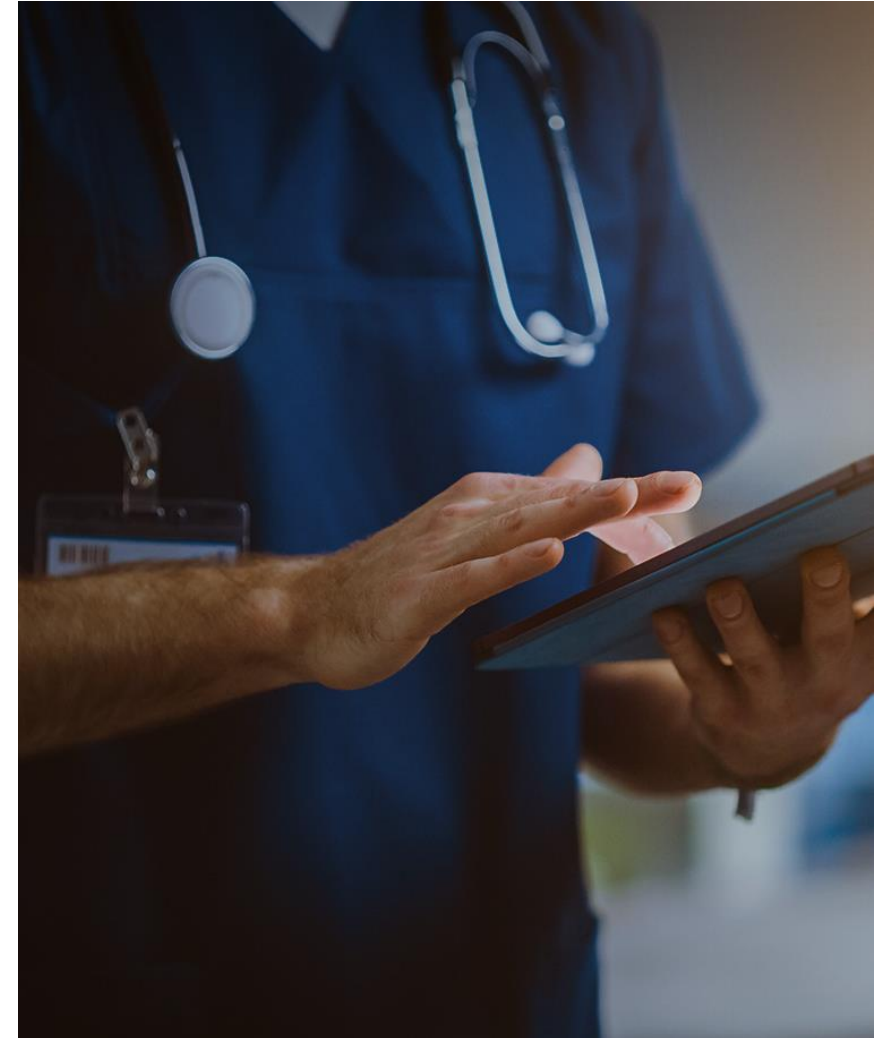
Nestlé CEO,  
3Q23 Earnings Call  
”

“  
If anything, it will benefit our business...this is an area where we are further developing and innovating...in sync with our strategy to provide healthy food with a relevant science backbone.

Danone CFO,  
3Q23 Earnings Call  
”

“  
I think it's too early to assess any overlap or change in behavior in relevant consumer groups...we don't see any impact so far in the business.

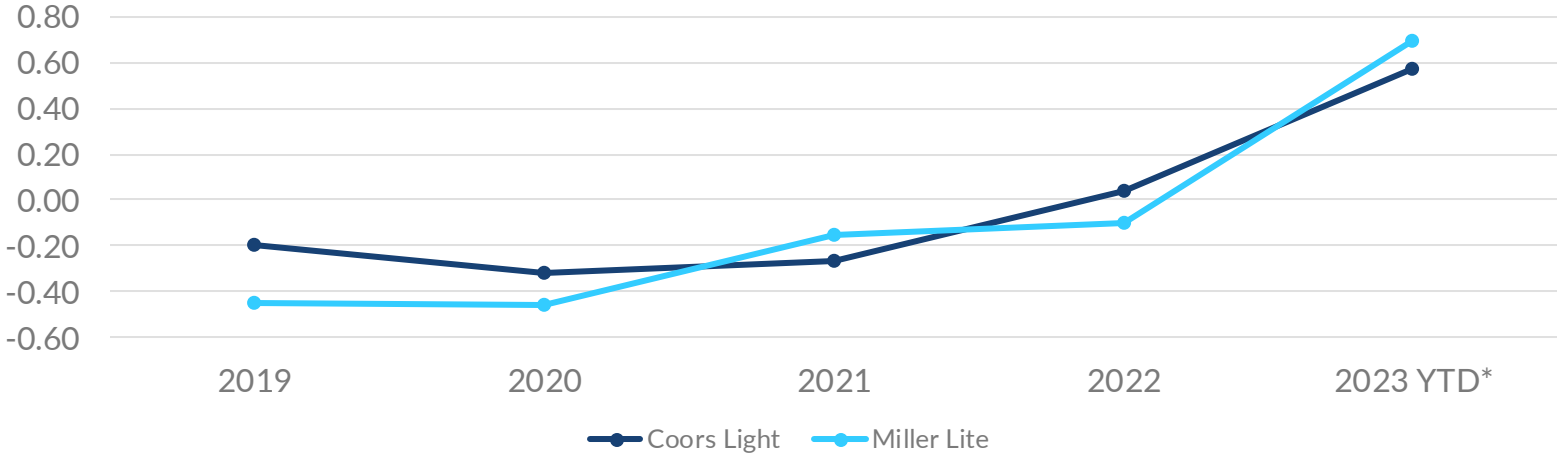
AB InBev CEO,  
3Q23 Earnings Call  
”



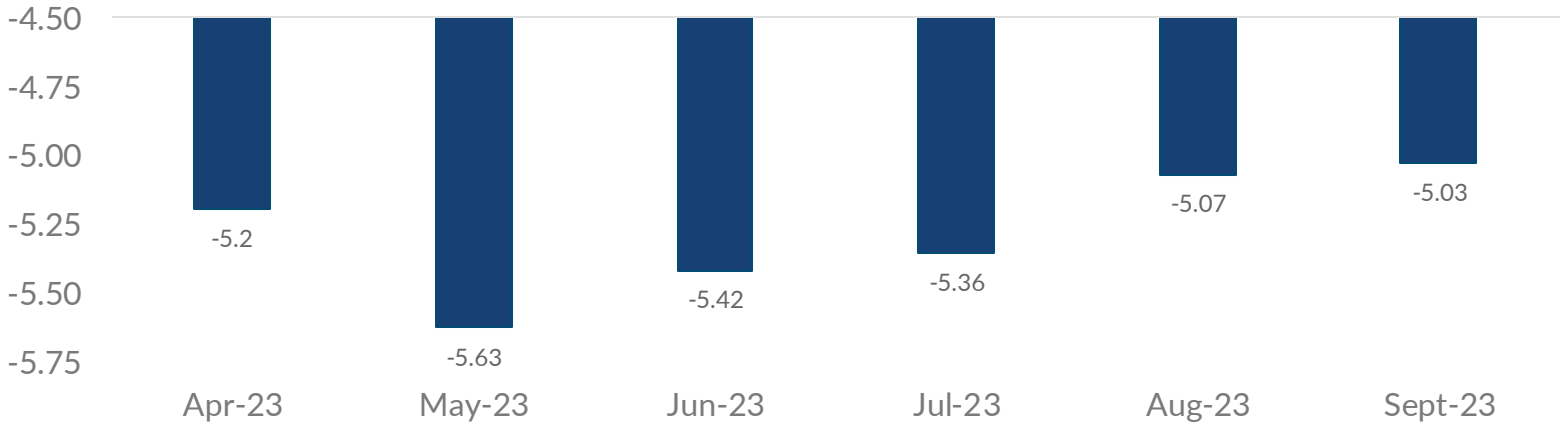


# AB InBev: The Bud Light Saga

## Dollar Share of US Industry (% Change YoY)



## Bud Light Market Share (% Change YoY)



# Top Picks & Pans



Pernod Ricard

K E R I N G



# Key Takeaways for 2024

- Consumer environment remains uncertain heading into 2024; brand and category positioning remains important
- As inflation eases and pricing moderates, volume and market share recovery will be in key focus
- Geographic trends may vary: watch out for China and Latin America
- We expect stable sector fundamentals overall and cash flow generation should continue to remain robust



This Report is for informational purposes only. Neither the information contained in this Report, nor any opinion expressed therein is intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. CreditSights and its affiliates do not recommend the purchase or sale of financial products or securities, and do not give investment advice or provide any legal, auditing, accounting, appraisal, valuation or actuarial services. Neither CreditSights nor the persons involved in preparing this Report or their respective households has a financial interest in the securities discussed herein. Recommendations made in a report may not be suitable for all investors and do not take into account any particular user's investment risk tolerance, return objectives, asset allocation, investment horizon, or any other factors or constraints.

Information included in any article that includes analysis of documents, agreements, controversies, or proceedings is for informational purposes only and does not constitute legal advice. No attorney client relationship is created between any reader and CreditSights as a result of the publication of any research report, or any response provided by CreditSights (including, but not limited to, the ask an analyst feature or any other analyst interaction) or as the result of the payment to CreditSights of subscription fees. The material included in an article may not reflect the most current legal developments. We disclaim all liability in respect to actions taken or not taken based on any or all the contents of any research report or communication to the fullest extent permitted by law.

Reproduction of this report, even for internal distribution, is strictly prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or information contained in this report (including any investment recommendations or estimates) without first obtaining express permission from CreditSights. The information in this Report has been obtained from sources believed to be reliable; however, neither its accuracy, nor completeness, nor the opinions based thereon are guaranteed. The products are being provided to the user on an "as is" basis, exclusive of any express or implied warranty or representation of any kind, including as to the accuracy, timeliness, completeness, or merchantability or fitness for any particular purpose of the report or of any such information or data, or that the report will meet any user's requirements. CreditSights may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this Report, and all opinions are reflective of judgments made on the original date of publication. CreditSights is under no obligation to ensure that other reports are brought to the attention of any recipient of the Products.

Certain data appearing herein is owned by, and used under license from, certain third parties. Please see Legal Notices for important information and limitations regarding such data. For terms of use, see Terms & Conditions.

If you have any questions regarding the contents of this report contact CreditSights at [legal@creditsights.com](mailto:legal@creditsights.com).

© 2023. CreditSights, Inc. All rights reserved.