JOHNSON
Cornell University

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GRUPO MODELO: TROUBLE BREWING IN THE GLOBAL BEER INDUSTRY[1]

Carlos Fernandez, Chairman and CEO of Grupo Modelo S.A. de C.V., sat back and stared at the silent telephone in his office in Mexico City. It was June 13, 2008, and Fernandez had just finished a call with August Busch IV, the CEO of Anheuser-Busch (A-B), the iconic North American brewery that owned 50.2% of Modelo's shares. A-B had recently received a takeover offer from industry giant InBev, and Busch feared that the shareholders would accept it, ending A-B's 150-year history as an independent company. Ever since InBev made its move for A-B, Busch IV had been hinting at making Modelo an offer for its remaining shares, thus making the Mexican brewer a wholly-owned subsidiary and making Anheuser-Busch too large for InBev to acquire.

Now the ball was in Fernandez's court. Grupo Modelo was an icon in its country—Mexico's largest brewer and a source of national pride. How would the Mexican public feel if its hallmark company was to be acquired by Americans? But the alternative may well be a de facto acquisition by InBev, which would own half of Modelo if the deal went through. Fernandez knew he had to make a decision that would create the best value for Modelo, and then sell that decision to the proud, eccentric families that controlled it. InBev was bearing down on Anheuser-Busch quickly, so time was of the essence.

Grupo Modelo

Cerveceria Modelo S.A. de C.V. (Modelo) was founded in 1925 in Mexico by a group of Spanish immigrants. By 1936, one of the founding members, Pablo Diez Fernandez, had bought out the other founders and remained the sole majority shareholder until his death in 1972. During his lifetime, Modelo acquired five breweries and invested in modernizing its plants, finally becoming the leader in the Mexican beer market by 1956. Pablo Diez Fernandez allowed senior managers to become significant shareholders, resulting in the company being controlled by six families, a situation that has lasted to the present day. These families had the chief right to refuse any significant management decisions through a voting trust. The breweries and distribution network were organized as Grupo Modelo S.A. in 1991, which was listed on the Mexican Stock Exchange in 1994.[2]

By 2008, Modelo continued to lead the Mexican beer market with a 57% share of the domestic and export market and revenues of US$7.1 billion in 2007 (See **Exhibit 1** for sales and share figures and **Exhibit 2** for detailed financial statements). Operating seven breweries in Mexico, Modelo owned an installed production capacity of 60 million hectoliters. It produced 12 brands including Corona Extra, the number one selling Mexican beer in the world, and five of these brands were exported. Modelo's global reach extended to more than 150 countries. Construction of a new brewery that would add an additional

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[1] This case was prepared by Uma Kakde, Kristin O'Planick, Kevin Shuller, and Jennifer Walvoord under the supervision of Professor Andrew Karolyi. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Original version is dated May 17, 2010; current version is dated April 8, 2015.

[2] See "Rohit Deshpande, "Corona Beer (A)," Harvard Business School, 2004.

10M hectoliters of production capacity had been initiated with an expected completion date in 2010.[3] Modelo's main competitor in the Mexican market was FEMSA, which controlled 43% of the Mexican market. FEMSA had been growing its leading brands, Sol, Dos Equis, and Tecate, and was making a play for the U.S. market through a distribution partnership with Heineken USA. The remaining Mexican competitors controlled a combined 0.4% of the market.

Because supermarkets and convenience stores were an increasingly important sales channel in Mexico, Modelo operated a convenience store chain, Extra. The company was restructuring in order to tie locations and formats to its current strategy more closely. Following a series of closures, the chain would manage 900 stores.[4]

The volume of Modelo's imported beers grew 27.4% from 2006. This was driven in part by a joint venture in 2007 with Carlsberg, a Danish brewer half-owned by A-B, which added Chinese brand Tsingtao and Carlsberg to the Modelo portfolio in Mexico and introduced Modelo products into key Asian and European markets.[5] Modelo had also developed a recent partnership with Nestle. Entering the water segment in 2007, Modelo produced and distributed the Nestlé Pureza Vital and Santa María brands, and imported San Pellegrino, Perrier and Acqua Panna.

These two latest partnerships were not Modelo's only relationships outside A-B. Modelo also created a joint venture with Constellation Brands' subsidiary, Barton Beers, to form Crown Imports LLC, the sole importer of Modelo brands into the U.S. The JV was announced in 2006 and set to renew in 10-year periods unless notice was given prior to the end of the seventh year. If A-B bought Modelo, Constellation Brands would expect A-B to renew the contract or pay fair market value for half of the business.[6] Additionally, Modelo formed a strategic alliance with Molson Coors to import, distribute, and market Modelo beers in Canada, its third largest market. Corona Extra was the number one imported brand in Canada. In 2007, Modelo also renewed an agreement with Fosters for distribution in Australia, where Corona Extra was also the number one import.

Carlos Fernandez took over as CEO in 1997 at age 31. Antonio Fernandez, his uncle and the former CEO, remained heavily involved for several years. Antonio was still serving as Honorary Life Chairman.[7] At age 90, he continued to control the Modelo family voting trust.

Fearing an influx of U.S. brewers into the Mexican market at the enactment of the North American Free Trade Agreement, Grupo Modelo forged a relationship with Anheuser-Busch on March 22, 1993, allowing A-B to acquire a 17.7% financial interest for US$207.2 million. The companies created a joint venture that would allow A-B to buy additional shares of Grupo Modelo and its operating subsidiary, Diblo. By 1998 A-B had a 50.2% economic stake in Modelo,[8] but only a 43.9% voting share, thereby allowing the families to retain control.[9] (See **Exhibit 3** for Modelo's share ownership.)

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[3] See Grupo Modelo's 2007 Annual Report.
[4] See "Modelo to close certain Extra stores," El Economista, March 10, 2008.
[5] See "Grupo Modelo," Hoover's, Inc. (www.hoovers.com)
[6] See "Constellation Brands CEO sees no Bud buyout impact," Reuters News, May 29, 2008.
[7] See "Modelo CEO Faces Limits of Family Firm," Wall Street Journal, June 27, 2008.
[8] Anheuser-Busch has a 35.12% ownership of Grupo Modelo and 23.25% holding in Diblo, while Grupo Modelo holds a 76.75% interest in Diblo. A-B's total direct and indirect holdings in Grupo Modelo and its subsidiaries is 50.2%. The Mexican families continued to have management control of Grupo Modelo and Diblo. See "Anheuser and Modelo Announce Resolution on Investment Price," Modern Brewery Age, September 21, 1998.
[9] See "Rohit Deshpande, "Corona Beer (A)," Harvard Business School, 2004.

Modelo had recently watched its profit margins came under pressure. In Q4-2007, sales increased 20.1%, but net income dropped 2.3% due to a 22.5% cost of goods increase from higher raw material and packaging expenses, as well as costs related to the Crown Imports joint venture.[10]

Both A-B and Modelo's controlling families were extremely conservative and had historically passed up most acquisition opportunities.[11] With Mexico's volatile economic past, Modelo preferred an organic growth strategy funded without the use of debt, making the equity buy-in by A-B a good fit. Additionally, the relationship gave Modelo exclusive rights to import A-B brands such as Budweiser, Bud Light, and O'Doul's into Mexico without giving up its coveted autonomy. A-B's original investment of US$1.6 billion had multiplied several times in value as of 2008. Mexico was A-B's largest export market and contributor to international profits via this relationship. In 2007, Modelo contributed more than US$641 million in equity income and $400 million in cash dividends to A-B's profits of $3 billion (**Exhibit 4**).[12]

A Rocky Relationship with A-B

While strong-willed family members steeped in Mexican culture ran Modelo, A-B had its own family issues. August Busch III, Busch IV's father, focused heavily on the domestic market, and his aggressive and often difficult style hurt A-B's international relationships. He was often called "Three Sticks" due to his temper. When his father, the CEO at the time, disagreed with his aggressive strategic ideas, Busch III had the A-B board depose him and took control of the company.

While courting Modelo in the early 1990s, Busch III proposed an extended fishing outing with key Modelo executives. During the first day, Busch III hooked a large marlin, but got a business call while trying to bring it in. In the middle of the sentence, he unceremoniously passed the rod to Valentin Diez, a senior Modelo executive and major shareholder. Shortly afterwards, Busch III abruptly called off the trip amidst the protests of the group and headed back to the U.S. for business. Coincidentally, Diez had also lost the fish. Hence, the Modelo family members were angry about being so easily dismissed by Busch III, setting the tone for the rocky relationship that followed. Although Busch IV and Fernandez fared better, the history between the two families still colored the business relationship.[13]

August Busch IV had only been CEO of A-B for 18 months when InBev made its takeover offer, and he was still in the stage of trying to prove himself to his father. A-B was the world's third largest brewer by volume with US$17 billion in annual sales, which put immense pressure on Busch IV. The fifth family member to run the business, he did not want to be known as the executive who lost the family business to foreign ownership. His father, still a director, was openly opposed to the InBev deal, putting more strain on the already tense father-son relationship.[14]

Given the personalities involved, the A-B and Modelo relationship had been challenging, particularly since Busch III treated Modelo more as a rival than a partner. Prior to 2002, A-B launched Mexican-style brews to directly challenge Corona. For a while, it also penalized wholesalers who carried Corona. Rumors were that Modelo considered the A-B deal ultimately a misstep for A-B, and the relationship was described as "uncomfortable" and "cold-shoulder."[15] However, Modelo continued to

[10] See "Rising costs fail to hinder Grupo Modelo FY," Just Drinks, February 22, 2008. (www.just-drinks.com)
[11] See "Modelo CEO Faces Limits of Family Firm," Wall Street Journal, June 27, 2008.
[12] See "Modelo Defense May Be Out of Reach," St. Louis Post-Dispatch, June 14, 2008.
[13] See "Anheuser-Busch: The Incredible Secret Story of the Fish That Got Away," Wall Street Journal Blogs, July 16, 2008. (http://blogs.wsj.com)
[14] See "Anheuser CEO Fights for His Legacy," Wall Street Journal, May 27, 2008.
[15] See "Modelo Defense May Be Out of Reach," St. Louis Post-Dispatch, June 14, 2008.

hold one seat on the A-B Board, filled by Fernandez, and August Busch III and IV were two of nine non-voting seats held by A-B on Modelo's Board.

The Global Beer Industry in 2008: the Challenge of Growth in a Mature Market

Beer is big business worldwide. The global beer industry generated US$401.1 billion in sales in 2007,[16] much of it in the developed markets of North America and Europe. The U.S. alone contributed US$98 billion to this total, and four of the five largest brewers in the world were European or North American companies. However, the developed-world beer market was mature. Beer consumption tended to be tied to GDP growth rates and increases in disposable income, both of which were low in the developed world. In contrast, both GDP and individual wealth were rising rapidly in many emerging markets, making these markets increasingly attractive to brewers. Datamonitor reports predicted that the beer market in China would grow 3.1% in 2008 compared to 1.5-2% in North America and Europe.[17] Some opportunities also remained in the U.S. and other developed markets, including the rising numbers of Latinos in the United States, who brought their taste for Mexican and other Latin American beers, and the tendency of younger consumers to prefer imports and microbrews.

While it contained a multitude of smaller players, the global beer industry was ruled by several large firms: in 2007, the three largest brewers – InBev, SABMiller and Anheuser-Busch – accounted for one-third of global beer sales by volume (see **Exhibits 5** and **6** for global market sales and share).[18] The beer market had high barriers to entry, including high initial capital outlays to build brewing facilities and exclusive distributor relationships. Economies of scale were crucial to offset high input costs and the high legal and regulatory costs associated with starting a brewery. Ironically, consumer-protection laws had encouraged this industry concentration: by restricting the types of marketing and advertising a beer company could employ, they increased the value of brand equity and the difficulty of establishing a new brand. As a result of this concentration of power, profit margins were high in the beer industry with an average of 20%, which was significantly higher than most consumer packaged goods firms.[19]

Consolidation Trends in the Beer Industry

A mature market and high barriers to entry increased the pressure on brewers to grow, particularly in the last two decades. This precipitated a large-scale consolidation of the industry: between 2003 and 2007, 250 mergers and acquisitions totaling US$60 billion closed in the brewing industry, compared to only 14 and US$2.5 billion a decade earlier.[20] (See **Exhibit 7** for a list of recent major acquisitions.) Brewers consolidated to pursue economies of scale, both in negotiating the price of inputs and to spread overhead costs from manufacturing, marketing and legal and regulatory compliance. The distributor relationship also played a role. Because brewers often had an exclusive relationship with their distributors, the latter benefited from a brewer with a large, well-diversified product line.[21] Recent changes had pushed this pressure further: in 2005, a Supreme Court ruling overturned a statute that prevented distributors from shipping across state lines. In the wake of this ruling, wholesalers have begun to consolidate and expand across regions. These larger, more powerful distributors are demanding more favorable terms from brewers, and many have refused to abide by exclusivity agreements.[22]

[16] See Datamonitor Industry Market Research, December 15, 2007.
[17] Ibid.
[18] Ibid.
[19] See *Alcoholic Beverages & Tobacco*, Standard & Poor's Industry Survey, May 2008.
[20] Closed mergers and acquisitions of brewing companies from 01/01/1993-12/31/1997 and 01/01/2003-12/31/2007; source: Capital IQ.
[21] See *Alcoholic Beverages & Tobacco*, Standard & Poor's Industry Survey, May 2008.
[22] Ibid.

A final drive to consolidate was the pursuit of new, fast-growing market segments. The U.S. domestic beer industry in particular faced sluggish growth. Brewers were increasingly turning to imports and craft beers to generate sales growth. Imported beers were growing in popularity in the United States, rising from a 9% market share in 1999 to 14% in 2007. 47% of this came from Mexican beers, with Grupo Modelo as the dominant brand.[23]

Mexico: Political and Economic Environment

A federal republic with a population of 111.2 million, Mexico enjoyed a robust democracy and a free press. In 2000, following 90 years of virtual dynasty by the Partido Revolucionario Nacional (PRI), the rival Partido Acción Nacional (PAN) won the presidential election. PAN also won the next election in 2006, and collaboration between the two parties steadily increased.[24] The country was considered politically and economically stable, since recovering from a disastrous devaluation of the peso in 1994.

Major concerns for the Mexican government centered at a sharp rise in violence related to the drug trade that passed through Mexico into the United States. In May 2008, several highly-ranked police officers were assassinated in Mexico City, almost certainly by drug lords. These events were sobering both because of the rank of the officers, who were the acting chief of the federal police and the head of the federal organized crime division, but also because the killings took place in the capitol rather than in the rural areas more known for drug-related violence. The rising crime rate provoked protests from citizens and undermined the popularity of the president, Felipe Calderón. Another area of concern was tense relations with the United States over the illegal entry of Mexican immigrants to the U.S., although the two countries collaborated to slow drug trafficking and had strong trade relations.

The 2008 economic downturn hit Mexico hard. GDP growth dropped from 4.2% in the fourth quarter of 2007 to 2.6% in the first quarter of 2008, with projected annual GDP growth of only 2.3%.[25] Unemployment rose from 3.7% in 2007 to 4.2% in 2008, and this figure did not capture the many Mexicans who had stopped searching for employment. Inflation was between 4 and 5%, at the high end of the central bank’s target of 2-4% and still rising. High inflation had led the central bank to maintain interest rates at 7.5% for the past seven quarters, constraining any monetary easing that may stimulate the economy. Although Mexico’s fundamentals remained strong, the slowing U.S. economy hurt the country both because of a drop in demand – 80% of Mexico’s exports went to the United States – and because of a decline in external borrowing opportunities. Thus, the timing for a deal in Mexico was not ideal.

Options: Modelo’s Next Move

Fernandez turned away from the telephone and opened a file with the options his analysts had presented him. Modelo could try to buy back its stake from A-B, sell the rest of the company to A-B, or refuse to sell, thereby increasing the likelihood of the potential A-B/InBev merger. Each option had its benefits, but in the end Fernandez knew the decision would be less about price and more about control.

Since relations were frosty with the Busch family, Fernandez knew that negotiations would have to be handled delicately. Discussions with the six families regarding any of the options would also have to be coordinated carefully to reach a full agreement.

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[23] Ibid.
[24] See *Mexico Country Report*, Economist Intelligence Unit, June 2008.
[25] Ibid.

At first glance, the option to buy back Modelo's stake seemed the most logical for Modelo's shareholders. Modelo's board would thus maintain control and invest in its growth as it saw fit. However, Fernandez knew that it would be difficult to finance a deal of that size, even if credit markets were healthy. He wondered how much money it would take to convince A-B to sell back Modelo's shares and whether A-B's Board would even allow the sale, as more cash would make it more attractive to InBev. And if the buyback went through, how would Modelo fare as an independent brewer in a rapidly consolidating beer market? He also knew that with this option, Modelo could lose its rights to distribute A-B's products.

Reluctantly, Fernandez evaluated the second option. He knew that buying Modelo was A-B's lifeline for its own independence, because it would likely make A-B's debt level too high for InBev's current offer price of US$65 per share in cash.[26] It would probably derail the whole deal, as InBev's balance sheet could not handle the additional debt that would come with A-B's purchase of Modelo. A-B's eagerness to fend off the takeover gave Modelo the chance to command a premium for its remaining shares. Of course, the loss of control was also a consideration, as was potentially angering the minor shareholders and customers alike. Beyond that, could A-B finance a deal given the fragile credit markets?

The last option was for Modelo to refuse to sell and wait for the chips to fall. InBev had hinted that it would actively encourage Modelo's growth if it did acquire the shares, and given Modelo's tense relationship with A-B, forming a new management team to temper the strong personalities in the boardroom may be something advantageous. However, as part of the takeover, Modelo would find itself a small part of a very large and diversified global brewer. There was the risk that it would be lost within the organization and would not receive the capital that it could as an independent entity.

One major complicated factor was that the original 1993 transaction agreement between A-B and Modelo did not clearly lay out rights regarding a change in control. Given the ambiguity of the agreement, they may have to conduct faithful negotiations, and amendments to the original agreement may be necessary to facilitate a transfer of ownership.[27]

Fernandez looked over the options again and considered the pros and cons. Whatever option he chose, he knew he would have to make a compelling case to his board to convince all of them that his recommendation would be optimal for Modelo. He needed to have a recommendation and a minimum acceptable bid price for Modelo's board soon. The InBev offer was dominating the headlines in business sections worldwide, and Fernandez knew he had no time to waste.

[26] See InBev's Press Release, June 11, 2008. (http://www.ab-inbev.com/press_releases/20080611_1_e.pdf)
[27] See "Grupo Modelo is the wild card in A-B, InBev acquisition game," St. Louis Beacon, June 2008.

Exhibit 1

GRUPO MODELO

Net Sales
Millions in constant pesos

Year	Total Sales	Domestic	Export
2003	47,474	73.3%	26.7%
2004	49,996	71.6%	28.4%
2005	53,497	71.9%	28.1%
2006	58,964	70.6%	29.4%
2007	72,895	57.8%	42.4%

Source: Grupo Modelo’s 2007 Annual Report,

Exhibit 2

GRUPO MODELO

Consolidated Financial Statements in MXN Peso

Income Statement-- All Currency in MXN Peso			
12 Months Ending in December 31	**2005**	**2006**	**2007**
Revenue	45,703	52,687	67,222
Other Revenue	5,856	6,277	5,672
Total Revenue	**51,559**	**58,964**	**72,895**
Cost Of Goods Sold	23,698	26,602	32,591
Gross Profit	**27,861**	**32,362**	**40,304**
Selling General & Admin Exp.	14,390	15,501	19,716
Depreciation & Amortization	-	-	-
Other Operating Expense/(Income)	-	-	-
Other Operating Exp., Total	**14,390**	**15,501**	**19,716**
Operating Income	**13,471**	**16,861**	**20,588**
Interest Expense	-	-	-
Interest and Invest. Income	1,392	1,288	1,443
Net Interest Exp.	**1,392**	**1,288**	**1,443**
Currency Exchange Gains (Loss)	-	116	88
Other Non-Operating Inc. (Exp.)	(483)	(1,564)	(1,335)
EBT	**14,380**	**16,700**	**20,783**
Income Tax Expense	4,492	4,963	5,514
Minority Int. in Earnings	(2,301)	(2,740)	(5,766)
Earnings from Cont. Ops.	**7,587**	**8,998**	**9,503**
Net Income	**7,587**	**8,998**	**9,503**
Weighted Avg. Basic Shares Out.	3,252	3,252	3,243
Supplemental Items			
EBITDA	16,050	19,852	23,940
EBITA	13,559	16,861	20,819
EBIT	13,471	16,861	20,588
Tangible Book Value	54,133	60,528	62,678

Exhibit 2(continued)

GRUPO MODELO

Consolidated Financial Statements in MXN Peso

Balance Sheet-- in MXN Peso			
12 Months Ending in December 31	**2005**	**2006**	**2007**
ASSETS			
Cash And Equivalents	18,348	22,923	1,683
Short Term Investments	-	-	19,033
Total Cash & ST Investments	**18,348**	**22,923**	**20,717**
Accounts Receivable	3,274	3,725	5,414
Inventory	5,996	6,962	9,505
Prepaid Exp.	2,303	-	2,632
Other Current Assets	-	2,213	-
Total Current Assets	**29,921**	**35,823**	**38,267**
Gross Property, Plant & Equipment	70,081	76,172	79,032
Accumulated Depreciation	(22,424)	(25,127)	(26,721)
Net Property, Plant & Equipment	**47,657**	**51,045**	**52,311**
Long-term Investments	2,860	3,361	4,177
Other Intangibles	355	468	383
Accounts Receivable Long-Term	1,203	1,438	1,725
Deferred Charges, LT	1,539	2,023	2,862
Total Assets	**83,535**	**94,157**	**99,724**
LIABILITIES			
Accounts Payable	2,777	4,051	5,041
Accrued Exp.	1,949	2,380	2,603
Total Current Liabilities	**4,726**	**6,431**	**7,663**
Minority Interest	16,385	18,365	18,951
Def. Tax Liability, Non-Curr.	7,755	8,250	8,267
Other Non-Current Liabilities	181	114	1,783
Total Liabilities	**29,048**	**33,161**	**36,664**
Total Equity	**54,488**	**60,997**	**63,061**
Total Liabilities And Equity	**83,535**	**94,157**	**99,724**

Exhibit 2 (continued)

GRUPO MODELO

Consolidated Financial Statements in MXN Peso

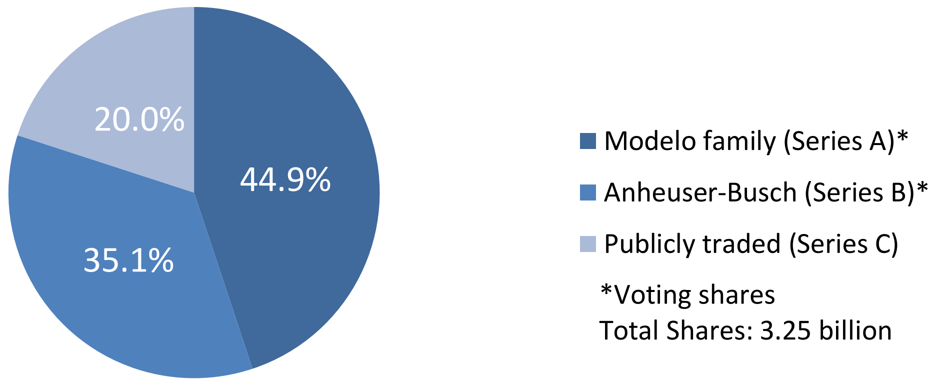
Statement of Cash Flows-- in MXN Peso			
12 Months Ending in December 31	**2005**	**2006**	**2007**
Net Income	**9,888.2**	**8,997.5**	**9,503.1**
Depreciation & Amortization	2,491.1	2,991.7	3,120.8
Amortization of Goodwill and	87.3	-	231.5
Depreciation & Amortization, Total	**2,578.4**	**2,991.7**	**3,352.3**
Asset Writedown & Restructuring Costs	99.5	144.6	23.5
(Income) Loss on Equity Investments	15.7	(372.2)	(353.9)
Provision & Write-off of Bad Debts	-	-	-
Other Operating Activities	(387.3)	2,846.6	5,930.3
Change in Accounts Receivable	(1,265.7)	(278.3)	(1,976.2)
Change In Inventories	(95.4)	(1,088.7)	(2,639.3)
Change in Accounts Payable	333.3	582.4	989.5
Change in Income Taxes	-	-	19.2
Change in Other Net Operating Assets	(457.3)	462.5	(195.6)
Cash Flow from Operating Activities	**10,709.3**	**14,286.1**	**14,652.9**
Capital Expenditure	(4,190.1)	(4,637.0)	(4,385.9)
Investments in Marketable & Equity	(6.4)	(27.3)	(495.9)
Net (Increase) Decrease in Loans	-	-	-
Other Investing Activities	(318.6)	(75.9)	(1,086.4)
Cash Flow from Investing Activities	**(4,515.1)**	**(4,740.2)**	**(5,968.2)**
Repurchase of Common Stock	-	-	(446.3)
Common Dividends Paid	(3,629.5)	(4,344.4)	(6,951.5)
Total Dividends Paid	**(3,629.5)**	**(4,344.4)**	**(6,951.5)**
Special Dividend Paid	-	-	-
Other Financing Activities	(1,257.8)	(1,316.7)	(3,493.4)
Cash from Financing	**(4,887.3)**	**(5,661.0)**	**(10,891.2)**
Net Change in Cash	**1,306.9**	**3,884.9**	**(2,206.5)**

Source: Capital IQ

Exhibit 3

GRUPO MODELO

Grupo Modelo Share Breakdown
As of December 31, 2007



Note: Anheuser-Busch also owns 23.25% of Diblo SA, a subsidiary of Grupo Modelo
Source: "Modelo CEO Faces Limits of Family Firm," Wall Street Journal, June 27, 2008

Exhibit 4

GRUPO MODELO

Anheuser- Busch's Equity Share of Grupo Modelo's Net Income in US$

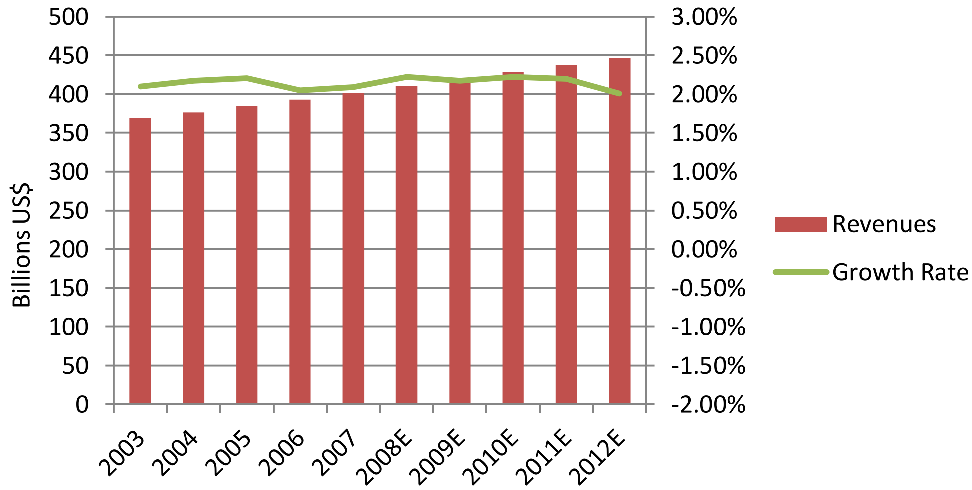
Account	2005	2006	2007
Cash and marketable securities	$1,641	$2,094	$1,932
Other current assets	$933	$1,018	$1,181
Noncurrent assets	$4,593	$4,539	$5,143
Current liabilities	$407	$525	$679
Noncurrent liabilities	$411	$346	$318
Net sales	$4,399	$5,072	$5,321
Gross profit	$2,315	$2,644	$2,683
Minority interest	$1	$2	$4
Net income	$967	$1,141	$1,277
A-B's 50.2% Stake	$485	$573	$641

Source: Anheuser- Busch's 2007 annual report

Exhibit 5

GRUPO MODELO

Global Beer Market by Revenue
(US dollars in billions)

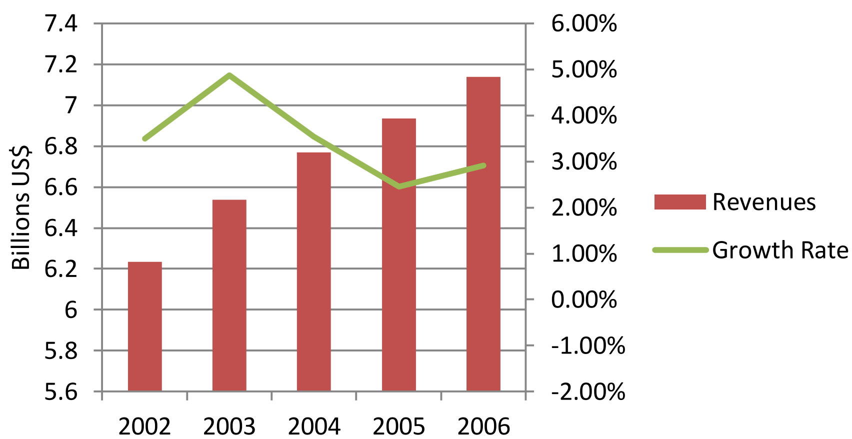


Source: Datamonitor

Exhibit 6

GRUPO MODELO

Mexican Beer Market by Revenue
(US dollars in billions)



Source: Datamonitor

Exhibit 7

GRUPO MODELO

Selected Acquisitions in USD

Closed Date	Target	Buyer	Total Transaction Value	EV/ EBITDA	P/B
4/28/2008	Scottish & Newcastle UK	Heineken NV & Carlsberg A/S	9,646.15	16	2.2
8/27/2004	John Labatt Ltd.	AMBEV	8,033.37		
10/12/2005	Bavaria S.A.	SABMiller	6,136.87	7.7	2.5
2/9/2005	Molson Inc.	Adolph Coors Co.	4,992.98	11.7	4.3
2/5/2008	Royal Grolsch N.V.	SABMiller	923.85	15.5	3.3

Selected Trading Comparables

Company Name	TEV/Total Revenues LTM - Latest	TEV/EBITDA LTM - Latest	TEV/EBIT LTM - Latest	P/Tang BV LTM - Latest
BRF - Brasil Foods	1.76x	17.58x	31.08x	4.03x
Coca-Cola FEMSA S.A.B de CV	1.92x	10.03x	11.42x	14.00x
Companhia de Bebidas Das Americas (AMBEV)	4.11x	9.24x	14.21x	38.89x
Compania Cervecerias Unidas	1.92x	8.25x	12.24x	2.81x
Grupo Bimbo SA de CV	1.10x	9.26x	12.49x	3.71x
Heineken NV	1.67x	9.23x	13.38x	6.45x
Lojas Americanas	1.76x	14.31x	18.39x	NM
Marfrig Alimentos	1.65x	14.09x	16.56x	3.77x

Source: Capital IQ