# Anheuser-Busch faces scrutiny despite signs of a rebound



Anheuser-Busch InBev SA/NV, trading under the ticker symbol NYSE:BUD, has come under scrutiny despite recently reported bullish indicators that suggest a potential rebound for the beverage giant. The bullish thesis, highlighted on ValueInvestorsClub by user kalman951, sheds light on the company's performance and market strategy amid a downturn in its share price.

As of the report's publication, BUD's shares were trading at $48.85, notably lower than a closing price of $59.84 recorded on February 28. This drop follows the company's recent earnings announcement where it surpassed earnings per share estimates—reporting an adjusted EPS of 0.98 against the consensus prediction of 0.89. However, in contrast to the broader market, where the S&P 500 experienced a 3% uptick, BUD's stock saw a significant decline, approximately 25%, attributed to a year-on-year volume decrease of 2.4%.

BUD, a prominent player within the global beer market, offers an extensive portfolio of around 500 brands including popular names like Budweiser, Corona, and Stella Artois. Despite the recent volume decline, the company has maintained or grown its market share in 60% of the regions it operates, indicating that while demand may fluctuate, BUD's brand strength remains resilient.

The company's strategy has shifted towards premiumization, which has resulted in premium products accounting for 40% of total volumes—this is pivotal as it suggests a potential for higher revenue growth. Subsequent to its adjusted EBITDA growth forecast being revised from 4-8% to 6-8% for FY24, BUD has doubled its share buyback value to $2 billion, signalling confidence in its long-term viability. Furthermore, the company maintains a robust annual cash flow of $9 billion, backed by manageable debt levels.

Despite its current challenges, analysts believe that the fundamentals supporting BUD are solid. The EBITDA margin is currently at 500 basis points lower than pre-pandemic levels; however, a conservative margin estimate of 35.6% combined with a targeted revenue of $60.75 billion suggests the stock price could rise to $70—an increase of 17% from present levels. This valuation reflects a lowered EBITDA multiple of 10.3x, below the historical average of 12.2x, indicating potential for recovery if margin expansion can be realized.

While the bullish outlook is compelling, the report notes a wider market interest in alternative investments—specifically in the AI sector—suggesting that although BUD exhibits strong fundamentals, there may be more lucrative investment opportunities elsewhere.

This analysis provides a comprehensive overview for stakeholders within the alcoholic beverage industry. Brands can glean insights into market strategy, consumer preferences leaning towards premium products, and the implications of financial management decisions for competitive positioning. The continuing conversation around health warnings related to alcohol consumption also presents a significant backdrop that brands must navigate as they develop future marketing and product offerings.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://brauwelt.com/en/international-report/europe-russia/646708-ab-inbev-record-turnover-in-2023-but-us-sales-decline> - This article supports the claim that Anheuser-Busch InBev reported record revenues despite challenges in the US market, including a decline in volume sales and the impact of the Bud Light boycott.
* <https://cdn.builder.io/o/assets%2F2e5c7fb020194c1a8ee80f743d0b923e%2Ff89b71d38e724014b04e717e021b0e26?alt=media&token=59b398c4-487c-4a10-8a9f-bb79334d4960&apiKey=2e5c7fb020194c1a8ee80f743d0b923e> - This document provides details about AB InBev's financial performance, including revenue growth and EBITDA figures, which align with the company's strategic focus on premiumization and revenue management.
* <https://www.valueinvestorsclub.com> - This platform is where the bullish thesis on Anheuser-Busch InBev was discussed, highlighting the company's performance and market strategy.
* <https://www.noahwire.com> - This source provides comprehensive analysis and insights into market trends and financial management decisions within the alcoholic beverage industry.
* <https://www.investopedia.com/terms/e/ebitda-margin.asp> - This resource explains the concept of EBITDA margin, which is relevant to understanding AB InBev's financial health and potential for margin expansion.