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CREDIT OPINION
30 March 2022

Update

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Ambev S.A.

Update to credit analysis

Summary

Ambev S.A.'s (Ambev) Baa3 rating is supported by its scale as one of the world's largest brewers; presence in 18 countries; leading positions in most of its operating markets, including Brazil and Canada; and vast portfolio of brands of alcoholic and nonalcoholic beverages. The company benefits from its diversification and brand recognition, while its scale translates into a higher bargaining power with suppliers. Moreover, its geographic and product diversification mitigates cash flow volatility arising from weather events or market downturns in specific regions.

The company's dominant market position in Brazil, strong execution capabilities and strict cost control allow the company to withstand market volatility and still maintain exceptionally strong profitability and credit metrics. Ambev's limited reliance on the local banking system for funding, its generation of a significant portion of assets and cash outside Brazil, and its importance to the controlling shareholder Anheuser-Busch InBev SA/NV (ABI, Baa1 stable) help offset the negative effect of the company's links to the Brazilian economy.

Ambev's rating is constrained by the volatility in its commodity-linked input costs and its reliance on effective hedging strategies. Also, there is a likelihood of continued high dividend payouts to its controlling shareholder ABI.

RATINGS

Ambev S.A.

Domicile	Sao Paulo, Brazil
Long Term Rating	Baa3
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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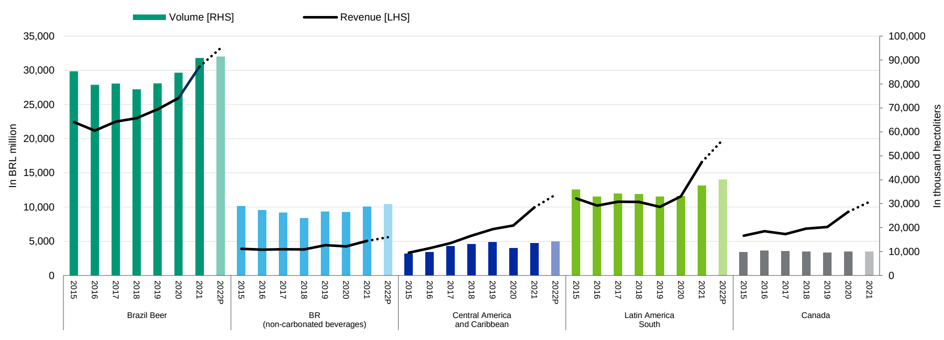
CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Exhibit 1

After robust volume growth in 2021, Beer Brazil will face a high comparison base in 2022; other regions continue to show gradual improvement



Sources: Ambev's financial statements and Moody's Investors Service

Credit strengths

» Large scale, geographic diversification and brand recognition

» Sound margins and healthy credit metrics

» Leading market positions in Brazil and Canada, with strong execution capabilities and strict cost control

Credit challenges

» Rating constrained by the Government of Brazil's (Ba2 stable) rating

» High dividend payouts to ABI

Rating outlook

The stable rating outlook reflects Ambev's exceptionally strong credit metrics, dominant market positions and operational stability, which, along with its other characteristics, help outweigh its links with the sovereign, where it generates more than 50% of its EBITDA. We expect Ambev to benefit from the diversification of its portfolio and its geographic footprint, and maintain conservative financial management and strict cost control.

Factors that could lead to an upgrade

A rating upgrade would depend on an upgrade of Brazil's sovereign rating, and would require Ambev to maintain steady and strong credit metrics.

Factors that could lead to a downgrade

Ambev's rating or outlook could face negative pressure if its overall operating performance were to deteriorate because of greater-than-expected volatility in any of its major markets, or if the company's leverage were to significantly increase because of a change in its capital structure or a debt-financed acquisition. Quantitatively, a downgrade could be considered if its EBIT/interest falls below 4.0x or debt/EBITDA increases above 3.5x on a sustained basis (all metrics are according to our standard adjustments and definitions).

Key indicators

Exhibit 2
Ambev S.A.

BRL Millions	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	2022-proj.	2023-proj.
Revenue	45,602.6	47,899.3	50,231.3	52,005.1	58,379.0	72,854.0	81,224.1	86,710.5
EBITA Margin %	36.8%	36.1%	35.9%	31.4%	24.8%	22.7%	20.9%	21.8%
RCF / Net Debt	9810.0%	-158.3%	-201.4%	-188.6%	-113.1%	-75.7%	-71.3%	-57.5%
Debt / EBITDA	0.4x	0.3x	0.3x	0.3x	0.4x	0.3x	0.3x	0.3x
EBIT / Interest Expense	15.1x	15.8x	12.3x	13.5x	8.9x	14.1x	13.8x	15.1x

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
[2] Periods are financial year end unless indicated.
[3] Moody's forecasts (f) or projections (proj.) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Investors Service

Profile

Headquartered in Sao Paulo, Brazil, Ambev S.A. (Ambev) engages in the production, distribution and sale of alcoholic and nonalcoholic beverages in 18 countries across the Americas. In 2021, Ambev reported net sales of BRL72.9 billion ($13.5 billion), with a Moody's-adjusted EBITDA margin of 34.1%.

Ambev is the largest brewer in Latin America, in addition to being PepsiCo, Inc.'s (A1 stable) largest bottler. Its large portfolio includes well-known brands, such as Skol, Brahma, Antarctica, Stella Artois, Beck's, Budweiser, Quilmes and Corona, as well as Fusion, H2OH!, Lipton, Gatorade and Do Bem. Since 2004, Ambev has been controlled by ABI, a leading global brewer and one of the world's top five beverage producers.

Detailed credit considerations

Sales will benefit from a gradual increase in mobility as pandemic-related restrictions are removed

Despite the crisis that started with the coronavirus outbreak in March 2020, Ambev showed a robust performance in its main segment, Beer Brazil, in 2020 and 2021. Volume growth will abate in 2022 because of the year over year comparison with a strong volume sold in 2021. However, we expect the company to continue to benefit from the gradual resumption of mobility with more public events and gatherings, which will help sustain volumes in 2022. In the fourth quarter of 2022, we expect the FIFA World Cup events, coupled with the summer months in Brazil, to help increase volumes.

Ambev's large scale, nationwide footprint and online/digital presence are important tools to mitigate disruptions, such as those presented by the 2020 pandemic. Ambev's strong and well-known brands have historically enabled the company to pass through cost increases, with only a temporary impact on its market share. In the long run, this efficient cost management will continue to be key for its profitability. Currently, with the offering of low-cost local brands in the northeast region of Brazil, its portfolio has a better mix to face constrained consumer environments. At the same time, the premium and core-plus offerings continue to record double-digit growth in percentage terms. The long-term outlook for the Brazilian beverage segment remains positive, given the low alcoholic beverage consumption in the country and higher average disposable income.

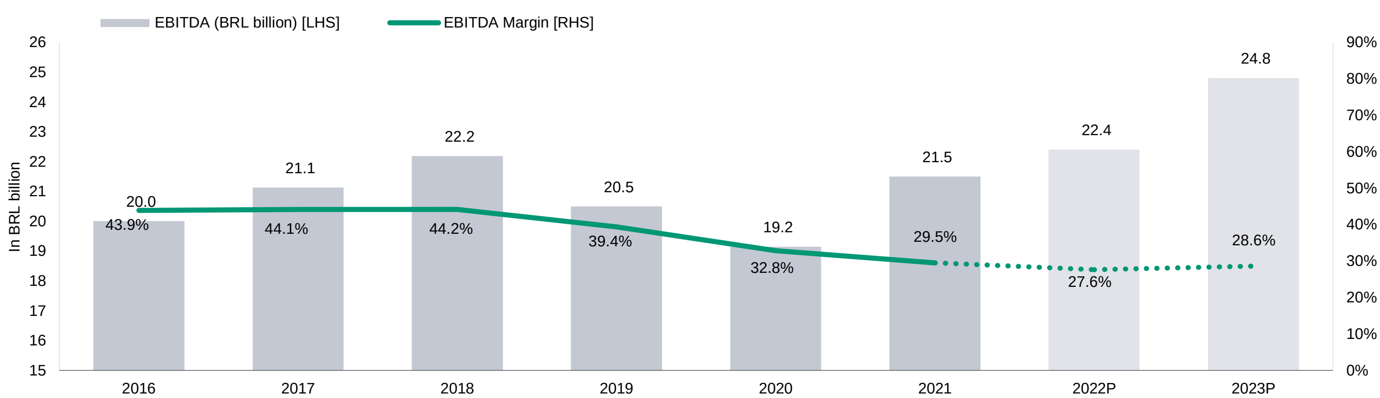
Lower margins because of higher commodity costs

Commodity-linked input costs and foreign exchange primarily influence Ambev's cost of goods sold. However, historically, Ambev has demonstrated an ability to pass through costs to the final consumer, including during 2020 and 2021. The company has strictly established internal processes and cost-control initiatives, and has the ability to fully hedge its raw material needs 12 months ahead. Ambev's hedging strategy allows for some predictability of its cost trends. However, the upward adjustment of the future curve for aluminum and sugar, coupled with the depreciation of the Brazilian real against the US dollar, will create higher cost pressure for the full-year of 2022.

In 2022, we expect Ambev's adjusted EBITDA to reach BRL22.4 billion, or 4% higher year over year, with its EBITDA margin decreasing to 27.6% from 29.5%.

Exhibit 3

Margins have remained strained because of higher commodity costs and foreign-exchange hedges, but we expect them to rebound in 2023



Sources: Ambev's financial statements and Moody's Investors Service

Large scale, diversification and brand recognition

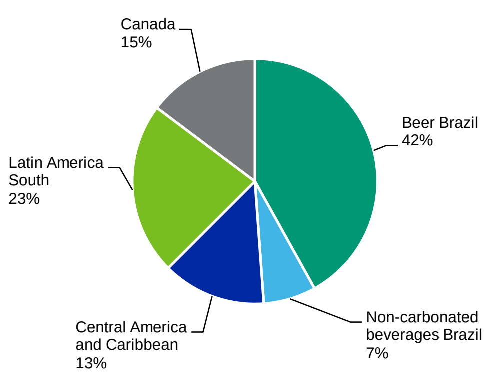
Ambev is present in 18 countries and has a vast portfolio of brands of alcoholic and nonalcoholic beverages, benefiting from scale, diversification and brand recognition. While its scale translates into a higher bargaining power with suppliers, its geographic and product diversification mitigates the cash flow volatility arising from weather events or market downturns in specific regions.

In addition, Ambev has a leading position in most of its operating markets, including Brazil, where we estimate a 66% market share in the last five years, and Canada. Also, the company's well-developed and sophisticated distribution structure — the delivery of its products to large retail stores and small mom-and-pop stores, as well as pubs, bars and restaurants — is an important competitive advantage. We regard Ambev's cost advantages as structural and hardly replicable by competitors, which will ultimately mitigate the margin volatility resulting from fiercer competition from existing competitors in key markets. These cost advantages represent entry barriers for new competitors.

Ambev is also present in many South American countries, with leading market shares in Argentina, Bolivia, Paraguay and Uruguay, and the second-largest market share in Chile. Mainstream beers in the region include Quilmes and Patricia. In Central America and the Caribbean, the company's footprint includes El Salvador, Cuba, Guatemala, the Dominican Republic and Panama.

Exhibit 4

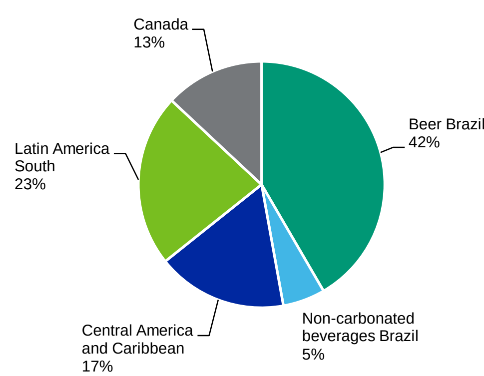
Revenue is diversified across the Americas, with Beer Brazil being the most relevant source of revenue
As of December 2021



Sources: Ambev's financial statements and Moody's Investors Service

Exhibit 5

Beer Brazil's EBITDA contribution is even more significant because it delivers the highest margins of all segments
As of December 2021



Sources: Ambev's financial statements and Moody's Investors Service

As for brand recognition, Ambev's marketing and innovation capabilities offer a distinct advantage over competitors and help mitigate lower alcoholic and nonalcoholic consumption during downturns. The sponsorship of important events, such as the FIFA Soccer World Cup, the Budweiser sponsorship of the live-streaming of NBA games in Brazil, and the annual Rio de Janeiro Carnival, exemplifies strong partnerships and brand activation capabilities. In 2022, the FIFA World Cup will take place in Qatar between mid-November and mid-December, during the Brazilian summer, which will help boost beer sales volumes later in the year.

On the digital front, in Brazil, the Zé Delivery app is a platform that connects beverage retailers and consumers. The COVID-19 crisis helped accelerate the use of online/mobile-based applications and delivery services. Ambev's mobile strategy is not only to offer its products but also to be a one-stop shop for beverage and food-related items, including, for example, snacks, ice and charcoal for parties and barbecues, and to offer convenience for at-home consumption. In 2021, the Zé Delivery app processed 61 million orders, compared with 27 million in 2020. The platform has more than 80,000 retail partners, and it is present in more than 200 cities.

Ambev and its parent, ABI, have also rolled out a company called BEES with platforms in Brazil, the US, China and other countries. BEES connects small and medium-sized retailers to distributed logistical hubs, selling own and third-party products. We believe such initiatives will help Ambev increase the number of customers and frequency of purchases by offering quick and more efficient deliveries of an ample array of products. BEES is currently present in 16 countries, with more than 2.5 million active clients and more than $20 billion in gross merchandise value. In 2021, in Brazil, BEES reached 85% of Ambev's active customer base.

The strategy Ambev built in the last few years to digitalize the company has helped its strong performance since 2021 and is likely to continue to do so. The strategy, which is focused on the ecosystem, will continue to increase efficiency, improve data-based analysis and broaden communication with customers on many platforms. Via its own marketing agency, Draftline, Ambev is able to capture and evaluate interaction patterns to generate content, increase engagement online, brand value and targeting. This is an important advantage for an increasing digital and dynamic marketing environment.

Ambev's rating is above Brazil's government bond ratings

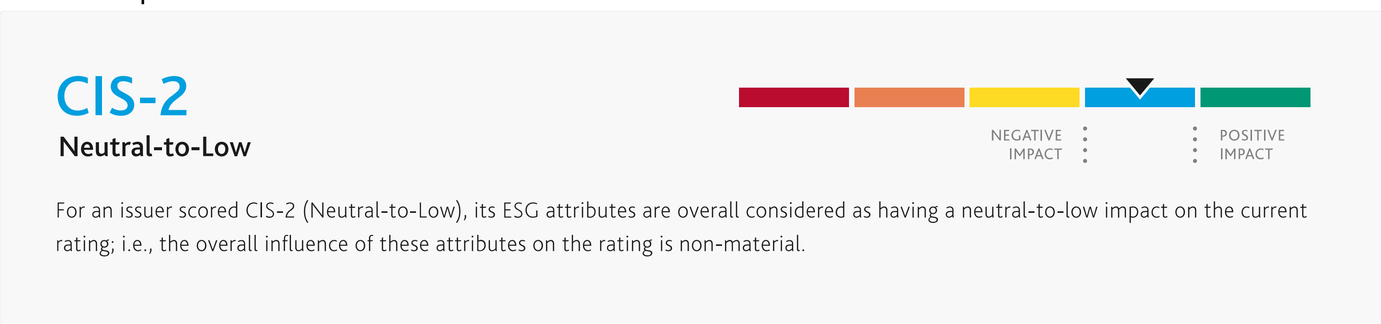
Ambev's Baa3 rating is above Brazil's Ba2 issuer rating, which is granted only under exceptional circumstances when an issuer's fundamentals are stronger than those of the sovereign. In the case of Ambev, this is illustrated by its exceptionally strong credit metrics; ample liquidity; limited reliance on the local banking system for funding; significant cash generation outside Brazil, which is sufficient to service the company's small foreign-currency debt; and importance to the controlling shareholder, ABI. These factors outweigh the effects of Ambev's links to the Brazilian economy.

ESG considerations

Ambev is a public company, with shares traded on the Sao Paulo Stock Exchange and the New York Stock Exchange. ABI is Ambev's largest and controlling shareholder, holding indirectly — through two subsidiaries (IIBV and AmBrew) — 61.8% of the company's voting shares. The company is governed by a shareholder agreement signed among IIBV, AmBrew and Fundação Zerrener. Fundação Zerrener holds 10.2% of Ambev's voting shares.

Ambev ESG Credit Impact Score is Neutral-to-Low CIS-2

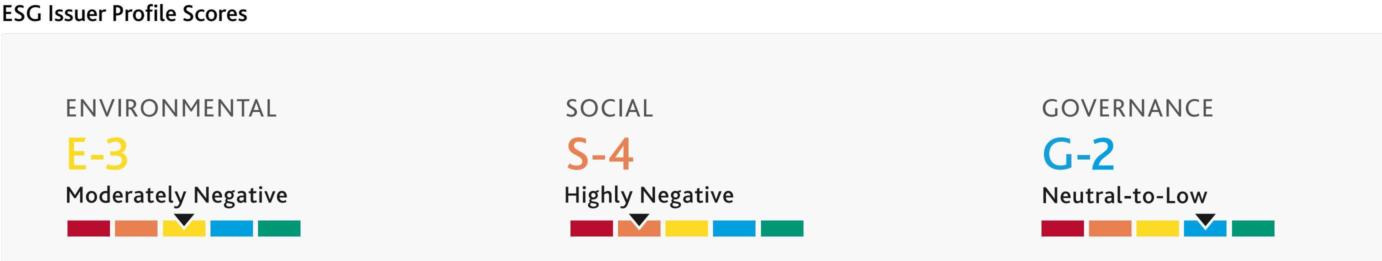
Exhibit 6
ESG Credit Impact Score



Source: Moody's Investors Service

Ambev's governance risks are neutral to low, reflecting its highly conservative financial policies. This score mitigates the highly negative Social Issuer Profile Score. Like many other alcoholic beverage companies, Ambev has brand reputation risks and exposure to responsible marketing and distribution related to the sale of beer. Environmental risks are moderate, reflecting Ambev's water management, waste and pollution exposure, and reliance on natural capital in relation to the production of key ingredients for alcoholic products. We value the company's use of a large share of recycled materials and returnable bottles in its main markets.

Exhibit 7
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Environmental risks are moderately negative for Ambev, in line with alcoholic drink manufacturers. This score mainly reflects the industry's exposure to water management and waste and pollution, and its reliance on natural capital in relation to the production of key ingredients for its alcoholic products. While raw materials typically represent a modest component of beverage companies' cost structure, alcoholic beverage producers rely on the availability of water and specific ingredients, some of which are difficult to obtain or to substitute. These risks are mitigated by the company's product and geographic diversification, and its efforts with regard to water stewardship and sustainability. We value the company's use of a large share of recycled materials and returnable bottles in its main markets. We view physical climate risk and carbon transition risks as low for the industry.

Social

Like many other alcoholic beverage companies, Ambev's Social Issuer Profile Score is highly negative, primarily reflecting its significant brand reputation risks and exposure to responsible marketing and distribution related to the sale of beer and other alcoholic beverages. Social risks also include exposure to demographic and societal trends, although declines in alcoholic beverage volume are offset by ongoing premiumization and product innovation. These risks are balanced by neutral-to-low to health and safety, human capital and responsible production risks.

Governance

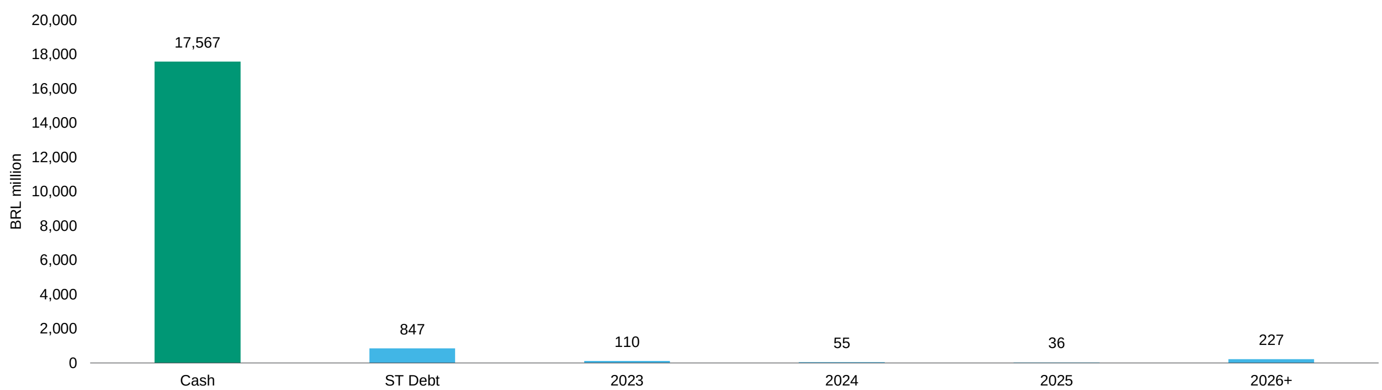
Ambev's governance risks are neutral to low, reflecting its highly conservative financial policies, sound governance practices and experienced management team with good credibility and a long track record, which compensate for its concentrated ownership.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on www.moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Ambev has excellent liquidity for the next 12 months. As of 31 December 2021, the company had BRL17.6 billion in cash and cash equivalents, compared with total adjusted debt of BRL6.3 billion, including BRL2 billion in operating leases and BRL3.2 billion in pension adjustment.

Exhibit 8
Debt amortization schedule
As of December 2021

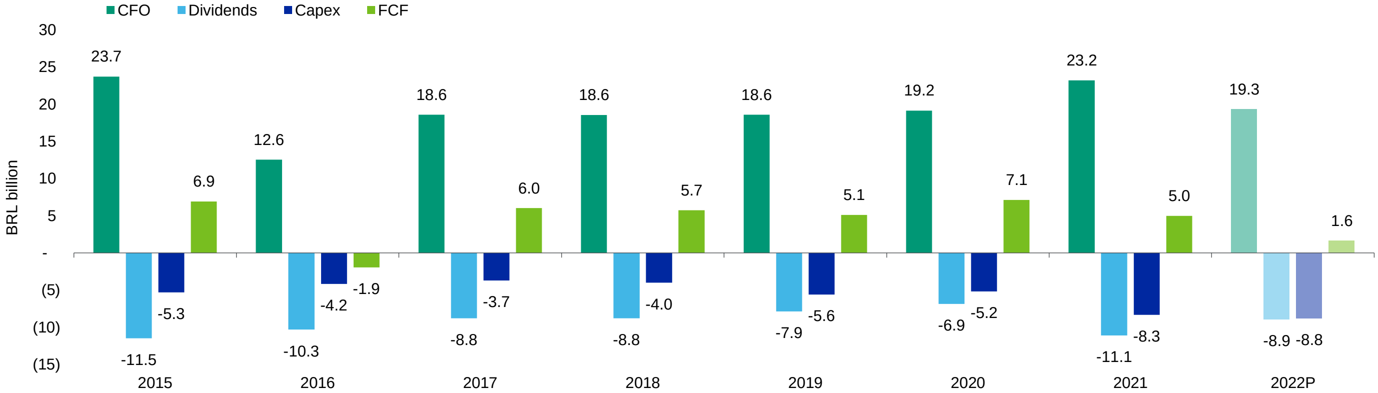


Sources: Ambev's financial statements and Moody's Investors Service

Ambev's solid liquidity is further supported by its robust cash from operations, which amounted to BRL23.2 billion for 2021, and when added to its cash position, it was more than enough to meet its capital spending needs of BRL8.3 billion and dividend payments of BRL11.1 billion for the same period. Cash flow from operations will be lower because of a reduction in funds from operations, strained by higher costs, but enough to cover capex and dividends.

Exhibit 9

Ambev's metrics are supported by a robust cash flow, enough to meet its capital spending needs and dividends



Sources: Ambev's financial statements and Moody's Investors Service

Methodology and scorecard

Ambev's scorecard-indicated outcome under our Alcoholic Beverages Methodology was A2, four notches above the assigned rating, reflecting the company's strong credit metrics, while the actual assigned rating of Baa3 is primarily constrained by Brazil's sovereign rating. Over the next 12-18 months, we expect the company's metrics to remain strong for the rating category.

Exhibit 10

Rating factors

Ambev S.A.

Alcoholic Beverage Industry Grid [1][2]	Current As of 12/31/2021		Moody's 12-18 Month Forward View As of 2/24/2022 [3]	
Factor 1 : Scale (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$13.5	Baa	$15 - $16	A
Factor 2 : Business Profile (32.5%)				
a) Diversification and Exposure to Riskier Markets	Ba	Ba	Ba	Ba
b) Category / Brand Strength and Diversification	A	A	A	A
c) Global Industry Position	A	A	A	A
d) Innovation, Distribution and Infrastructure	A	A	A	A
Factor 3 : Profitability (7.5%)				
a) EBITA Margin	22.7%	Baa	20%-23%	Ba - Baa
Factor 4 : Leverage and Coverage (30%)				
a) RCF / Net Debt	-75.7%	Aaa	-57% - -72%	Aaa
b) Debt / EBITDA	0.3x	Aaa	0.3x	Aaa
c) EBIT / Interest Expense	14.1x	A	13.8x - 15x	A
Factor 5 : Financial Policy (15%)				
a) Financial Policy	A	A	A	A
Rating:				
a) Scorecard-Indicated Outcome		A2		A2
b) Actual Rating Assigned				Baa3

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2021.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
AMBEV S.A.	
Outlook	Stable
Issuer Rating	Baa3
PARENT: ANHEUSER-BUSCH INBEV SA/NV	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
Senior Unsecured -Dom Curr	Baa1
Bkd Other Short Term -Dom Curr	(P)P-2

Source: Moody's Investors Service

Appendix

Exhibit 12
Peer comparison

(in US millions)	Ambev S.A. Baa3 Stable			Carlsberg Breweries A/S Baa2 Stable		Coca-Cola FEMSA, S.A.B. de C A2 Negative			Kirin Holdings Company, Limi Baa1 Stable			Heineken N.V. Baa1 Stable		
	FYE Dec-19	FYE Dec-20	LTM Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-19	FYE Dec-20	LTM Sep-21	FYE Dec-19	FYE Dec-20	LTM Sep-21	FYE Dec-19	FYE Dec-20	LTM Jun-21
Revenue	$13,208	$11,441	$13,528	$9,882	$8,964	$10,105	$8,604	$9,377	$15,131	$17,328	$16,907	$26,833	$22,502	$24,427
EBITDA	$5,205	$3,755	$3,995	$2,133	$2,081	$2,015	$1,783	$1,902	$2,302	$2,097	$2,023	$6,219	$4,014	$5,634
Total Debt	$1,512	$1,605	$1,130	$5,661	$6,321	$3,927	$4,612	$4,374	$6,195	$7,629	$6,696	$20,777	$23,348	$21,194
Cash & Cash Equiv.	$2,962	$3,496	$3,154	$784	$1,330	$1,085	$2,183	$2,438	$1,524	$1,566	$2,078	$2,044	$4,894	$2,333
EBITA Margin	31.4%	24.8%	22.7%	15.4%	15.9%	15.3%	15.8%	15.7%	11.3%	8.4%	8.2%	17.0%	10.1%	17.5%
EBIT / Int. Exp.	13.5x	8.9x	14.1x	11.3x	13.2x	6.0x	4.3x	5.2x	19.2x	21.7x	21.9x	6.4x	3.0x	5.6x
Debt / EBITDA	0.3x	0.4x	0.3x	2.6x	2.8x	1.9x	2.4x	2.3x	2.7x	3.5x	3.4x	3.3x	5.4x	3.8x
RCF / Net Debt	-188.6%	-113.1%	-75.7%	26.4%	20.6%	32.4%	26.0%	43.2%	26.8%	20.7%	29.1%	19.3%	14.4%	20.1%
FCF / Debt	84.3%	85.4%	60.2%	11.0%	6.2%	11.8%	10.0%	8.6%	0.1%	-1.9%	9.0%	4.6%	2.9%	12.0%

All figures and ratios are calculated using Moody's estimates and standard adjustments.
FYE = Financial year end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt reconciliation for Ambev S.A.

(in R$ Millions)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported Debt	**5,396.3**	**2,554.8**	**4,103.7**	**3,062.8**	**4,792.2**	**3,100.5**
Pensions	2,137.7	2,310.7	2,343.7	2,704.5	3,544.0	3,194.0
Operating Leases	130.3	1,802.3	0.0	0.0	0.0	0.0
Non-Standard Adjustments	580.0	80.7	459.3	314.8	0.0	0.0
Moody's-Adjusted Debt	**8,244.3**	**6,748.5**	**6,906.6**	**6,082.1**	**8,336.3**	**6,294.5**

All figures are calculated using Moody's estimates and standard adjustments.
Periods are financial year end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA reconciliation for Ambev S.A.

(in R$ Millions)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported EBITDA	**18,636.8**	**18,763.9**	**19,318.5**	**18,980.9**	**20,459.7**	**20,635.3**
Pensions	3.0	-0.8	-3.5	0.8	-37.3	4.6
Operating Leases	43.4	600.8	0.0	0.0	0.0	0.0
Unusual	1,321.0	1,766.5	2,869.3	1,492.3	-1,265.1	875.5
Non-Standard Adjustments	5.0	3.1	-1.0	22.3	0.0	0.0
Moody's-Adjusted EBITDA	**20,009.2**	**21,133.6**	**22,183.2**	**20,496.2**	**19,157.3**	**21,515.5**

All figures are calculated using Moody's estimates and standard adjustments.
Periods are financial year end unless indicated.
Source: Moody's Financial Metrics™

REPORT NUMBER 1320425

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