Carlsberg Global Expansion

Carlsberg – Company Overview

Overview

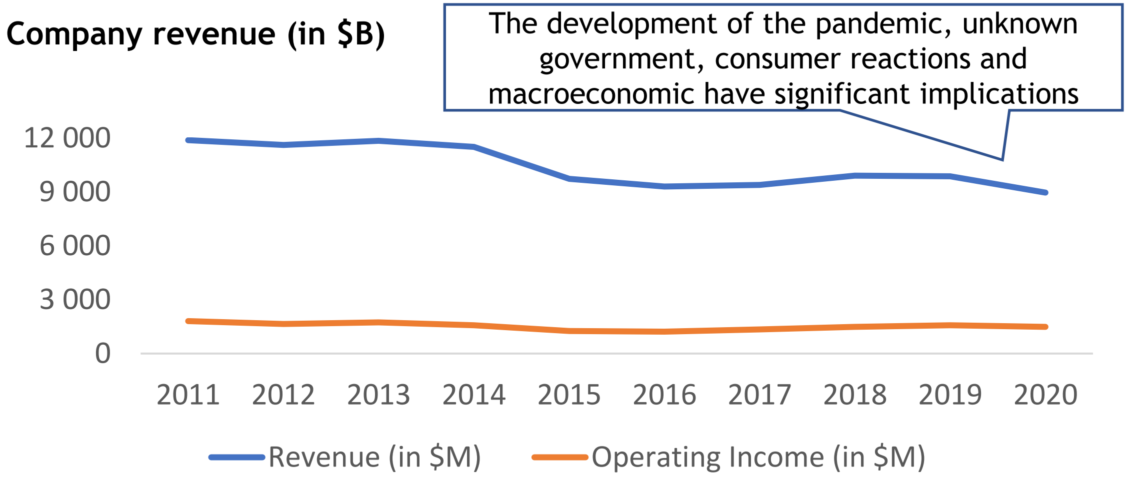
- Danish multinational Brewer
- Founded in **1847**
- **Products**: Beers, Cider, Soft Drinks, Bottled water
- **Key Executives:**
  - **Founders:** J. C. Jacobsen
  - **CEO (2021):** Jacob Aarup-Andersen
- **Revenue (2022):** 9.4B Euros
- **Operating income (2022):** 1.5B Euros
- **Net income (2022):** 14.5M Euros

Competitors

ABInBev
Heineken
SAB MILLER
DIAGEO
MOLSON COORS beverage company

Financial Overview

Company revenue (in $B)



Strategy

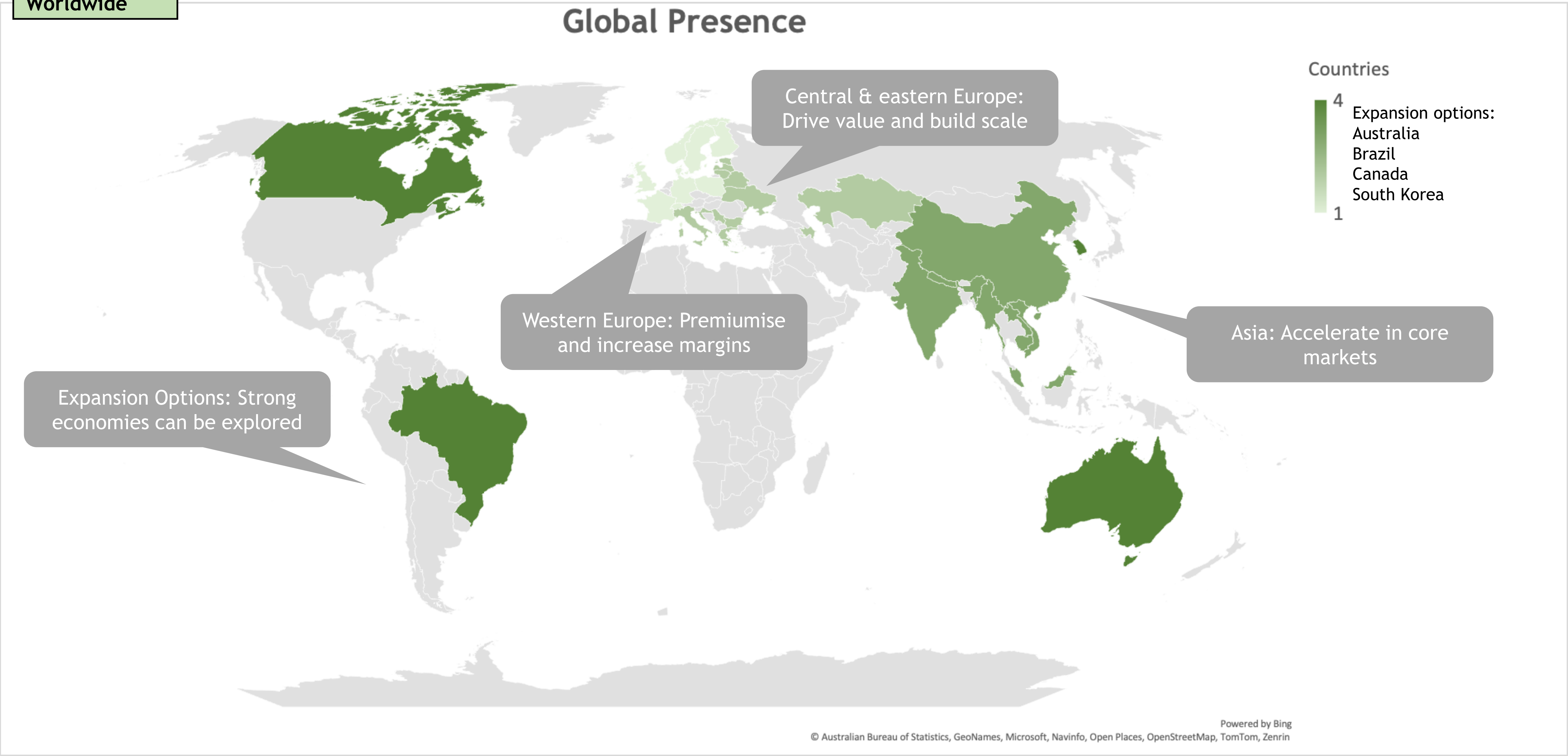
Sail' 27- Carlsberg new strategy

- Organic revenue growth of 3-5% CAGR
- Organic operating profit growth above revenue growth.

Purpose	Ambition	Priorities
Brewing for a better today & tomorrow	Most successful, professional, and attractive brewer in our markets.	Building on our strengths and accelerating growth

Carlsberg – Global Presence

Worldwide



Parameters for Evaluation of Countries

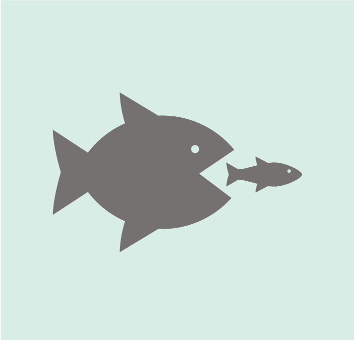
Criteria

Market Potential

- GDP and Economic Growth
- Beer Consumption Trends
- Demographics (Age distribution, urbanization)
- Cultural Receptivity to Beer

Regulatory Environment

- Alcohol Regulation and Licensing
- Tariffs and Trade Barriers
- Compliance with Health and Safety Standards



Competitive Landscape

- Existing Market Players
- Market Share and Growth Rates
- Barriers to Entry (Brand Loyalty, Distribution Channels)

Distribution and Logistics

- Infrastructure (Ports, Transportation)
- Supply Chain Efficiency
- Retail Network Availability

Consumer Preferences

- Taste Preferences
- Trends in Craft and Specialty Beers
- Environmental and Social Responsibility
- Bars Availability

Carlsberg – Country Comparison

Briefly

	Parameter	Australia	Brazil	South Korea	Canada
Market Potential	GDP and Economic Growth	$1.32T (1.8%)	$1.44T (3.1%)	$1.6T (1.4%)	$1.6T (1.3%)
	Beer Consumption Trends	76L, Mature Market	59L, Popular drink	35L, Relatively Moderate	70L, Mature Market
	Demographics (Age distribution, urbanization)	Young, Urban	Young, Urban	Urbanised and Tech-Savvy	Urbanised
	Cultural Receptivity to Beer	High	High	High	High
Regulatory Environment	Alcohol Regulation and Licensing	Regulated, Licensing	Specific licensing requirements	Specific licensing requirements	Well-regulated
	Tariffs and Trade Barriers	Low Barriers	Complex, free trade might apply	Have trade barriers	Complex, depending on the province
	Compliance with Health and Safety Standards	High	Medium	High	High
Competitive Landscape	Existing Market Players	Established Players	Local Players	Local Players	Major players
	Market Share and Growth Rates	Medium	High	Medium	High
	Barriers to Entry	Medium	Very High Brand Loyalty	Limited brand loyalty	Strong brand loyalty
Distribution	Infrastructure (Ports, Transportation)	Well- developed	Good in Urban only	Strong Infrastructure	Well- developed
	Supply Chain Efficiency	Efficient supply chain	Requires partnership	Efficient supply chain	Efficient supply chain
	Retail Network Availability	Extensive Network	Local Distributors	Local Distributors	Extensive Network
Consumer Preference	Taste Preferences	Wide range	Light Beer	Light Beer	Wide range
	Trends in Craft and Specialty Beers	High	Growing Interest	Growing Interest	High
	Environmental and Social Responsibility	Great focus	Increasing trend	Medium	Great focus

Negative   Medium   Positive

Carlsberg – Australia Expansion

Analysis

After a comprehensive assessment of the four countries, it is recommended that Carlsberg pursue expansion into Australia.

1. **Market Potential:** Australia boasts a mature beer market with a high per capita consumption and a strong economy, providing a solid foundation for growth

2. **Regulatory Environment:** Strong and stable institutions provide a transparent and business-friendly environment. The alcohol industry is well-regulated.

3. **Distribution:** Australia's well-developed infrastructure and efficient supply chain networks facilitate easy market access.

4. **Competitive Landscape:** While there are players, there is room for premium & craft beer, allowing Carlsberg to carve out a niche.

5. **Consumer Preferences:** The Australian market shows a preference for a wide range of beer styles, including craft and specialty beers, aligning with Carlsberg's product offerings.

Carlsberg – Capabilities

Australian market trends	What's required?	Does Carlsberg have it?
Wide range in taste	Variety of products	✓
Quality over quantity	Premium beers	✓
Growth in non-alcoholic beers	Non-alcoholic beers	✓
Growth in craft beers	Craft beers	✓
Growth in RTDs	RTDs	✗
Many potential local breweries to acquire	Experience in M&As, sufficient finances, supply chain optimization	✓
High competition	Distinctive brand, aggressive marketing	✓

Guiding the expansion –Sail 27 Carlsberg strategy

STEP UP IN **PREMIUM**

Premium category is growing three to four times faster than mainstream beer.

STRENGTHEN MAINSTREAM CORE BEER WITH LICENSING TO COOPERS

Core mainstream beer accounts for around 60% of the total beer category value.

ACCELERATE **ALCOHOL-FREE** BREWS

Alcohol-free brews (AFB) account for 4% of the beer market in our markets and is one of the fastest growing beer segments.

GROW BEYOND BEER

Consumers are increasingly looking for beverages outside the beer category.

Expansion and entry strategies

Aspect	**Build from scratch**	**Merger**	**Acquisition**
1. Infrastructure	Can design own infrastructure	Leverage existing partner facilities	Immediate access to existing facilities.
2. Time to enter	Longer time to establish and start operations	Immediate	Immediate
3. Understanding of local market	Gradual understanding of local market	Benefit from partner's local expertise	Immediate market knowledge through target
4. Supply chain establishment	Develop new relationships	Leverage existing relationships	Control existing relationships
5. Initial Investment	Initial investment for facilities and such	Proportional to ownership of future cash flows	Paying for all future cash flows -> higher investment
6. Brand Development	Opportunity to establish a unique identity	Immediate existing brand presence	Immediate existing brand presence with potential to change
7. Control & Flexibility	Full control over operations and brand	Depends on the ownership percentage	Certain control and flexibility post-acquisition
8. Customization	Tailor operations to fit local preferences	Potentially no customization	Limited tailoring post-acquisition
9. Integration Challenges	No integration issues	Potential cultural or operational issues	Potential cultural or operational issues

Expanding through core business: beer

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IN 2030?

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Who to acquire? – Coopers established player in the Australian Market

Largest Australian owned brewery

Established player, founded 161 years ago

77.6 MILLION L of beer sold in 2023 with a revenue of $287 million and gross profit of $28.5 million in 2023.

6% of market share

Diversified product portfolio with 14 beers focused on **premium beers**

Who to acquire? – Sobah with specialization in Non-Alcoholic beers

SOBAH

First Non-Alcoholic craft beer brewery in Australia, founded in 2017

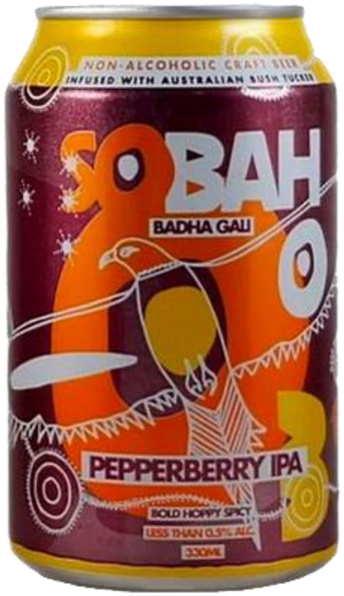
Small but **a first-mover with rapid growth**, expected to triple production to 60 000 cans in 2022

Strong cultural affinity (Aboriginal founders)

Revenue of $5M in 2022, with valuation at $10m and raised $1M funding in 2021

Specialization in non-alcoholic craft beers

Focused on **premium beers** with 10 Non-alcoholic craft beers



Market strategy for acquired companies

Coopers

1. Leverage the Australian heritage and the premium beer reputation to expand beyond mainstream beer
2. Position Coopers as the go-to choice for consumers seeking high-quality, craft-style premium beers
3. Target main customer segments through sport sponsorships like golf
4. Expand the distribution network throughout Australia leveraging Carlsberg's strengths

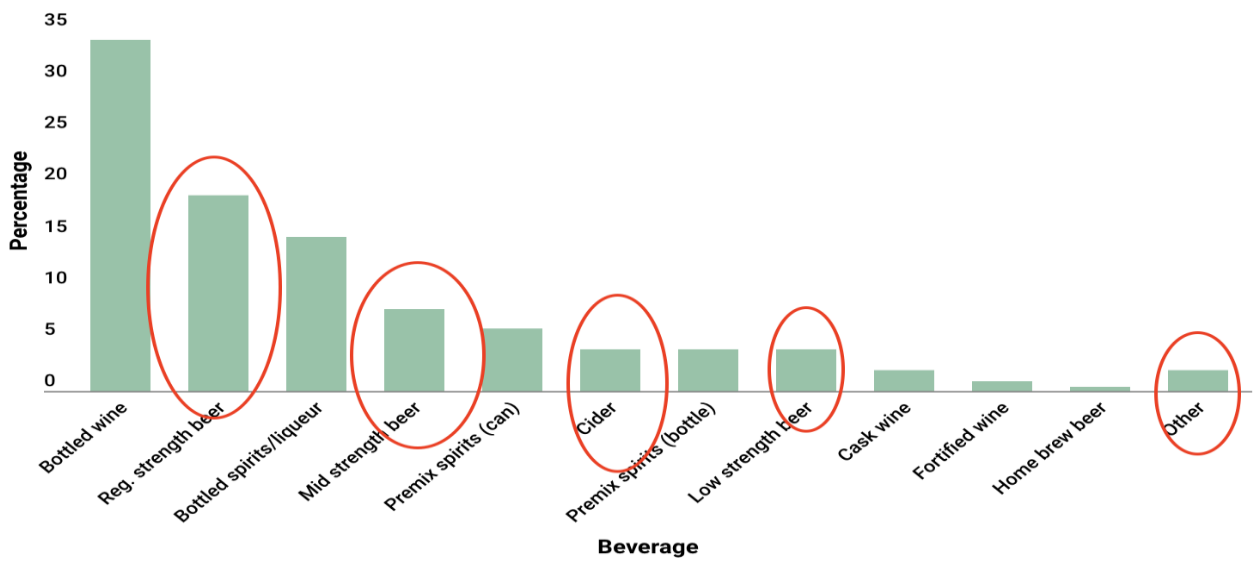
SOBAH

1. Use Carlsberg's resources to expand production facilities and develop new distribution channels at a national level, such as grocery stores
2. Leverage Carlsberg's know-how to optimize the production process
3. Emphasize the unique production process (preservative free and low ingredient intervention) to establish Sobah as the leading non-alcoholic and healthy beer in the Australian market

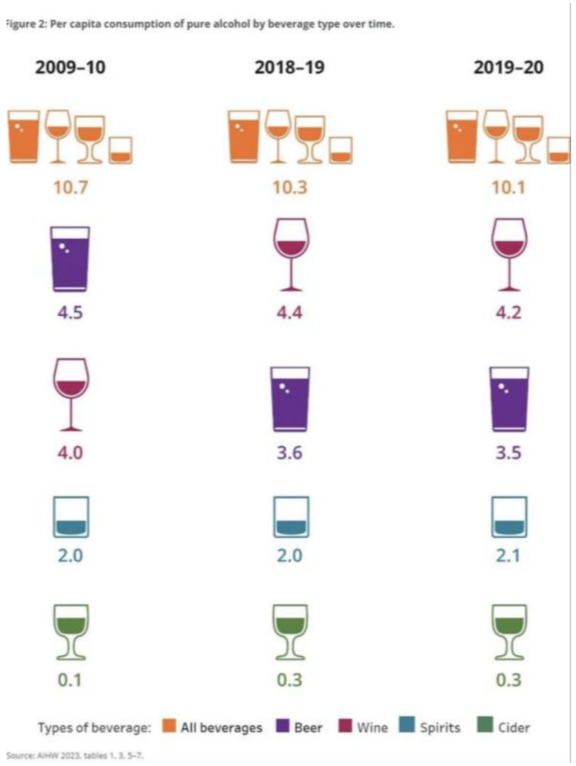
Timeline

1. Acquire a stake in Coopers with an option to buy full ownership
2. Gather information about market trends and consumer behaviors in Australia
3. Develop distribution channels and expand Coopers' presence across the market
4. Acquire full ownership of Coopers
5. Acquire Sobah
6. Apply know-how from Coopers to increase market penetration

1. Appendix: Alcohol consumption trends and preferences in Australia



Source: Australian Institute of Health and Welfare (AIHW). 2019 National Drug Strategy Household Survey.



2. Appendix: Carlsberg – SWOT

Strengths

	Valuable	Rare	Inimitable	Organizational support
Brand image	✓	✓	✓	✓
Strong value chains	✓	✗	✗	✓
Quality	✓	✗	✗	✓
International & M&A experience	✓	✗	✓	✓
Economies of scale	✓	✗	✗	✓
Dynamic capabilities	✓	✗	✗	✓
Innovation	✓	✓	✗	✓
Product variety	✓	✗	✗	✓
Strong finances	✓	✗	✗	✓
Global/local strategy	✓	✗	✗	✓

Weaknesses

- Economic sensitivity of consumption
- Impact of alcohol on environment & society
- Product portfolio mostly beer
- Impact of previous crises on revenues

Opportunities

- Wide range in beer taste, appreciation for quality
- Environmental innovations
- Many local breweries potential for acquisitions
- Built awareness and reputation by licensees

Threats

- Inflation and economic instability, declined regular beer sales
- Intense competition
- Alcohol laws and regulations
- Currency fluctuation

3. Appendix: Carlsberg – Capabilities

Internal

- International & M&A experience and expertise
- Innovation
- Global/local strategy
- Economies of scale

- Stronger premium drink brand
- Focusing on alternative drinks on other markets
- Understanding Australian markets

Exploit

RAT →

Australia
(acquired brand)

← CAT

Enhance

External

- More products, adjusted to local taste
- Wider & faster distribution
- More environmentally friendly options
- More alternative products

- Bigger product portfolio
- Already known products
- Physical assets, e.g. factories
- Established value chains

4. Appendix: Evaluation of Alcoholic Beverage Markets

RDTs (Ready-to-drink) Alcoholic Beverages

Expected to grow annually by 5%, **globally 24%**

Valued currently **US$2.19bn**

Ranked as the **third-largest** RTD Market globally

Non-alcoholic Beer market

Expected to grow annually **by 5.93%**

Valued currently at **US$ 192 mil** and expected to be **US$ 289** mil

Cider market

Expected to grow annually by **0.59%**

Valued at **$284.1 mil**

Craft beer market

Expected to **grow annually by 5%**

valued currently US$ 12.6 billion and expected US$ 17.5 billion in 2028.

The potential of Non-alcoholic beverages

Northern Europe

- **Non-alcoholic beer** market is expected to grow annually by 3.69%
  - While the **beer market** is growing at annually by 2.24%
- **Non-Alcoholic Beer market**, volume is expected to amount to 41.4m **L by 2028**
  - In the **Beer market**, volume is expected to amount to **1,599m L by 2028**

Carlsberg has non-alcoholic drink 93 non-alcoholic beverages (only available in Nordics, UK & Estonia)

Australia

- The Non-Alcoholic beer market is expected to grow annually by 5.93%
  - The beer market is expected to grow annually by 2.42%
- **Non-Alcoholic Beer market**, volume is expected to amount to 43.7m L by 2028**.**
  - In the Beer market, volume is expected to amount to **1,051.0m L by 2028.**

Conclusion: **With a bigger market volume forecast In Australia** compared to the Northern European Non-Alcoholic market, **Carlsberg should expand to Non-Alcoholic Markets in Australia.**

6. Appendix: Carlberg's expansion history

Historical transactions

- Old Carlsberg and New Carlsberg in 1906
- Tuborg in 1970
- Allied Lions in 1992
- Orkla in 2000

Strategic rationale

- Increase production efficiency
- Expansion to new markets
- Strengthen presence in existing markets

Modus operandi

- Identify new opportunities
- Scope for a target with an attractive market position or product portfolio
- Acquire an ownership stake and potentially acquire full ownership later

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