

CASE 17

HEINEKEN*

Moving into 2022, Dutch brewer Heineken announced that its sales in 2021, the first year since the pandemic, had grown by 11.8 percent to nearly 26 billion euros. But it also expressed concern that while sales were rebounding in Europe, they were still depressed in many other parts of the world due to COVID-19 lockdowns. In particular, Heineken had seen a drop in sales across Asia, where many countries were still attempting to make a recovery. The firm had been forced to take tough measures by slashing 8,000 jobs during the past year in an attempt to restore margins while remaining productive and maintaining a solid working core. After a reported 204 million euro loss in 2020, the reopening of bars and restaurants across the globe helped Heineken return to normalcy (see Exhibits 1 and 2).¹

Before world operations were halted by the pandemic, Heineken was expanding its presence around the globe in response to the merger of Anheuser-Busch InBev with SAB-Miller, which would give the combined firm a commanding 30 percent of global beer sales. On March 19, 2019, Heineken opened its first Mozambique brewery in the presence of His Excellency Filipe Nyusi, the President of the Republic of Mozambique. The new brewery, incorporating the latest technologies, represented a \$100 million investment. Among its products will be Txilar, a local beer specifically made with a maize that is grown in the region. "The construction of Heineken's first brewery is a major step for the company's presence in the country," said Jean-Francois van Boxmeer, former CEO of the firm.²

The move comes on the heels of acquisitions and capacity investments that Heineken has been making in other developing markets. In 2013, the firm had strengthened its position as the world's third-largest brewer by taking full ownership of Asian Pacific Breweries, the owner of Tiger, Bintang, and other popular Asian beer brands. With this deal, Heineken added 30 breweries across several countries in the Asia Pacific region. A few years earlier, the firm had acquired Mexican brewer FEMSA Cerveza, producer of Dos Equis, Sol, and Tecate beers, to become a stronger, more competitive player in Latin America.

At the same time, Heineken has maintained its leading position across Europe. It had made a high-profile acquisition in 2008 of Scottish-based brewer Scottish & Newcastle, the brewer of well-known brands such as Newcastle Brown

Ale and Kronenbourg 1664. Although the purchase had been made in partnership with Carlsberg, Heineken was able to gain control of the Scottish & Newcastle's operations in several crucial European markets such as the United Kingdom, Ireland, Portugal, Finland, and Belgium.

These decisions to acquire brewers that operate in different parts of the world have been a part of a series of changes that the Dutch brewer has been making to raise its stature in the various markets and respond to growing consolidation within the industry and changes occurring in the global market for beer. Even as sales of beer have stagnated in the United States and Europe, demand has been growing in other developing countries. This has led the largest brewers to expand across the globe through acquisitions of smaller regional and national players.

The need for change was clearly reflected in the appointment in October 2005 of Jean-Francois van Boxmeer as Heineken's first non-Dutch CEO. Until recently, Heineken had been run by three generations of Heineken ancestors, whose portraits still adorn the dark panelled office of the CEO in its Amsterdam headquarters. In 2020, the challenge of pushing the firm forward has fallen to Dolf van den Brink, succeeding van Boxmeer. Den Brink's 22-year experience with the firm across all continents is expected to continue to help Heineken to maintain its rise as a leading global brewer.

EXHIBIT 1 Income Statement (millions of euros)

	2021	2020	2019	2018
Total Revenue	21,901	22,471	23,969	22,470
Operating Profit	3,414	3,062	3,538	3,325
Net Income	2,041	1,903	2,166	1,900

Source: Heineken.

EXHIBIT 2 Balance Sheet (millions of euros)

	2021	2020	2019	2018
Assets	48,850	42,632	46,504	41,956
Liabilities	29,150	28,240	30,357	26,416
Equity	19,700	14,392	16,147	15,540

Source: Heineken.

*Case prepared by Professor Jamal Shamsie, Michigan State University, with the assistance of Professor Alan B. Eisner, Clark University. Material has been drawn from published sources to be used for purposes of class discussion. Copyright © 2022 Jamal Shamsie and Alan B. Eisner.