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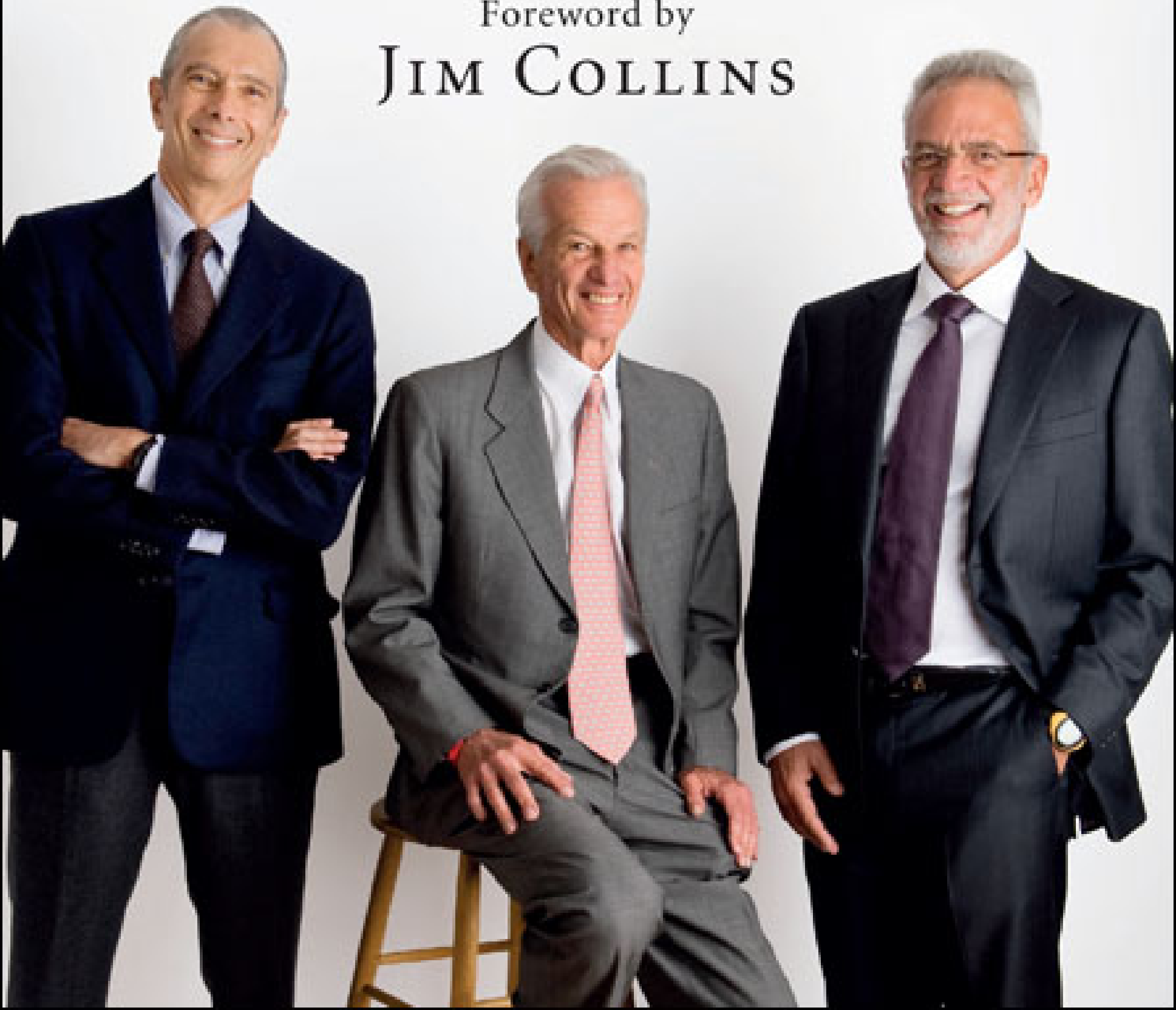
DREAM BIG

How the Brazilians Jorge Paulo Lemann, Marcel Telles and Beto Sicupira acquired Anheuser-Busch, Burger King and Heinz, three globally-recognized American companies

Foreword by
JIM COLLINS



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Foreword

"In the end, I am a teacher;
that is really how I see myself."
– Jorge Paulo Lemann

My relationship with this remarkable story began in the early 1990s in a classroom at the Stanford University Graduate School of Business. I was leading a case discussion for an executive program, on the topic of what it takes to build a great company to last. There, sitting in the front row, was an understated executive wearing simple chinos and a casual shirt, drawing no attention to himself. Then he perked up when I began to gesticulate wildly about Wal-Mart and invoking the entrepreneur Sam Walton as an example. I described how Walton crafted culture and built a great organization, and that this better explained Wal-Mart's success than the notion of business strategy. I argued that Sam Walton was more of a "clock builder" and less of a pure "time teller," and that he was building Wal-Mart so that it need not depend upon his own visionary genius and charismatic personality. The executive in the front row raised his hand and challenged me: "Well, I know Sam personally, and I disagree with you," he said. "I think that Sam is central to Wal-Mart's success, and his visionary genius has carried it a long way."

"Yes," I acknowledged, but then countered: "But don't you think that true greatness comes only when you're able to build a company that can thrive far beyond any individual leader?"

We carried our discussion into the hallway, and I could see the executive was taken with the idea of enduring greatness, beyond any single generation of leadership. He asked me if I would be interested in coming down to Brazil to share my ideas with his two partners and his company. I did not know at that time that this fortuitous moment would turn into one of the most stimulating business friendships of my life.

The executive's name was Jorge Paulo Lemann, his partners were Marcel Herrmann Telles and Carlos Alberto Sicupira, and their company was the investment bank Garantia. I didn't know anything about them, so I asked a Brazilian MBA student of mine, "Hey, have you ever heard of these guys?" He looked at me like I was crazy, as if I was asking a question like: "Have you ever heard of Warren Buffett or Bill Gates or Steve Jobs?" He showed me an article on the investment bank, and told me the legend of how they assembled a team of young fanatics and built a tiny brokerage outfit into one of the great investment powerhouses in Latin America.

Then my MBA student added: "Oh, and they're into the beer business now."

"The beer business?" I thought to myself. "What on earth is an investment bank doing in the beer business?" If anyone would have told me then that these bankers had the dream to build the biggest beer company in the world, and to buy Anheuser-Busch along the way, I would have said, "That's not a vision, that's delusion." Yet, of course, that's exactly what they did.

I have now been acquainted with the company, its culture, and the three partners for nearly two decades, and have had the privilege to watch the development of this success story as it has unfolded in recent years. I believe the primary reason we became such good friends is that they deeply resonated with the question that has occupied my own intellectual curiosity over the same two decades: What does it take to build an enduring great company? When Jerry Porras and I published *Built to Last* in 1994, they instinctively gravitated towards the ideas, and in particular the big dream of making a great company that would indeed be built to last.

In the intervening two decades, I have learned much from them. Here in this preface, I would like to share the top 10 lessons I have gleaned from watching, teaching, and learning from their journey.

1) INVEST ALWAYS – AND ABOVE ALL – IN PEOPLE. The founders certainly have a strong dose of financial genius, but that is not the primary source of their success. From the very beginning, their primary investments have been in people, especially young and talented leaders. Their philosophy: Better to give talented (if unproven) people a chance, and endure a few disappointments along the way, than to not believe in people. The number one ingredient in their secret sauce is an obsession with getting the right people, investing in those people, challenging those people, building around those people and watching those people experience the sheer joy and exhilaration of achieving a big dream together. And, just as important, stay with your proven people for a long time. It's interesting to note that the three founders have worked together for four decades, and are as unified as ever. And many of the best young people they brought into this system have stayed passionately involved for decades, such as the current CEO Carlos Brito. They didn't just get the right people on the bus; they got the right people on the bus for a very long time.

2) SUSTAIN MOMENTUM WITH A BIG DREAM. Great people need big things to do, or they will take their creative energies elsewhere. So, the founders built a two-piston flywheel: First, get great people; second, give them big things to do; then, get more great people, and come up with the next big thing to do; then repeat, again and again. This is how they sustained momentum over time. They always resonated with the idea of BHAGs – Big Hairy Audacious Goals – and built a culture to achieve them. Watching them, I learned that sustaining momentum, and therefore retaining great people, is worth the inherent risks of pursuing big goals. It's like a great mountain-climbing team; on the one hand, there is inherent risk in doing one big mountain, then the next big mountain, then the next-bigger mountain after that; on the other hand, if you don't have new big mountains to climb, you will cease to develop and grow, and you will lose your best mountain climbers. Great climbers need big mountains to climb, always and forever.

3) CREATE A MERITOCRATIC OWNERSHIP CULTURE WITH ALIGNED INCENTIVES. The founders built a consistent culture that gave people the opportunity to share in the rewards of the big dream. The culture valued performance, not status; achievement, not age; contribution, not position; talent, not credentials. By mixing these three ingredients – Dream + People + Culture – into a powerful concoction, they created a recipe for sustained success. The culture rewarded performance; if you could make a significant contribution, and deliver results, within the boundaries of the culture, you would do well; if you had the best credentials in the world, but could not deliver exceptional performance, you would be spit out. The three partners believed that the very best people crave meritocracy, and mediocre people fear it.

4) YOU CAN EXPORT A GREAT CULTURE ACROSS WIDELY DIVERGENT INDUSTRIES AND GEOGRAPHIES. The truly remarkable thing is how the Dream-People-Culture model carried from investment banking and finance into beer, from Brazil to all of Latin America, then to Europe and the United States, and now expanding all over the world. For Lemann, Telles and Sicupira, culture is not in support of strategy; culture *is* strategy. The three partners have always held to their core values and distinctive culture, while continually growing into new industries, expanding across geographies, and pointing towards ever bigger goals – a beautiful example of the underlying dynamic, "Preserve the Core and Stimulate Progress" exemplified by any enduring great company. There is a corollary to this lesson: you can "predict the future by geography." In the early days of the company, the three founders looked from Brazil to the United States, saw what was already working; then, instead of simply waiting for that to happen in Brazil, they would act aggressively to import the best United States practices, and do so early.

5) FOCUS ON CREATING SOMETHING GREAT, NOT ON "MANAGING MONEY." The three founders came of age during a tumultuous economic time in Brazil, and I once asked: "What did you learn about how to manage money in such uncertain and inflationary times?" The answer: "When everyone else was spending their time managing their money, we invested our time in building our company. If we built our company, then that would be the very best way in the long run to generate wealth. Managing money, by itself, never creates something great and lasting, but building something great can lead to substantial results." When the three founders made the decision to buy Brahma beer, many observers expected they would simply use it as a quick financial turnaround; but now, more than two decades after the purchase, we can see how they never viewed it as a financial transaction, but rather as another step in building the company. They stand as the antithesis of a built to flip mentality; it is always about being built to last.

6) SIMPLICITY HAS GENIUS AND MAGIC IN IT. On almost every dimension, the three founders exemplified simplicity. They have very simple dress; you would not notice them in a crowd. They kept simple offices, never walling themselves off from their people in an executive suite. They used their increasing wealth not for opulence, *but to simplify their lives*, so they could focus on continuing to build the company. (I learned that the best sign of true wealth is an uncluttered calendar, with time available to focus on the most important priorities.) And their entre strategy is so simple: *Get great people, give them big things to do and sustain a meritocratic ownership culture*. That's essentially it, not more complicated than that. True genius is not making an idea complex, but just the opposite: simplifying a complex world into a very simple idea, and holding to it for a very long time.

7) IT'S OKAY TO BE A FANATIC. I once asked, "What is the essence of the type of person you are looking for?" The answer: "We are looking for fanatics." We live in an age when people want a quick fix, a shortcut to exceptional results. But there is no such easy path. There is only an intense, long-term, sustained effort. And the only way to build that kind of enterprise is to be fanatic. Such obsessed people do not become the most popular people, as they often intimidate others, but when fanatics come together with other fanatics, the multiplicative effect is unstoppable.

8) DISCIPLINE AND CALM, NOT SPEED, IS THE KEY TO SUCCESS IN A TIME OF POTENTIAL CRISIS. The company entered the 2008-09 financial

crisis having just taken on $50 billion of debt to make the historic acquisition of Anheuser-Busch. Every year for the previous few years, the board journeyed to spend time with me at my management laboratory in Boulder, Colorado. These mountaintop meetings became a place for the board to engage with the biggest questions. As we entered the Boulder meeting in December 2008, I expected they might exude a sense of crisis. Instead, I was astounded by the calm, considered countenance as they navigated this time of tremendous peril. Never once did I observe panic, but only an ethos of careful consideration of options, followed by deliberate and decisive decisions. In times of uncertainty and chaos, people often want to act as quickly as possible, as if this will make a crisis go away. The AB Inbev board followed a different philosophy: Understand how much time you have to make decisions, use that time to make the best decisions possible and maintain a sense of calm. "Sure, it's human nature to want to make the uncertainty go away," said one of the founders. "But that desire can lead you to decide quickly, sometimes too quickly. Where I come from, you soon realize that uncertainty will never go away, no matter what decisions we make or actions we take. So, if we have time to let the situation unfold, giving us more clarity before we act, we take that time. Of course, when the time comes, you need to be ready to act decisively."

9) A STRONG AND DISCIPLINED BOARD OF DIRECTORS CAN BE A POWERFUL STRATEGIC ASSET. When the Brazilians and the Belgians came together to merge into the biggest beer company in the world, people wondered how these two cultures could coexist. Yet they became a unified whole. How did this happen? It happened because everyone involved had one goal: to do what's best to make a great and enduring company. They all embraced the Dream-

People-Culture philosophy, and navigated the financial crisis of 2008-09 as a completely unified group. In the United States, most boards are benign, and the power resides primarily with the chief executive; boards tend to only become significant when it comes time to replace a failing CEO. The AB Inbev board, however, is the primary power center in the company. It exemplifies that boards can play a central role in setting BHAGs, developing strategy, sustaining culture, seizing opportunities and leading through tumultuous times. Without such a strong and unified board, AB Inbev would not have come through the 2008-09 challenges as strong as it did (and perhaps even not at all). The AB Inbev board pays constant attention to its own culture, disciplines and vibrancy, with as much fanatic attention as building and preserving the management culture of the company. Most important, it makes decisions and allocates capital for *long-term* shareholder value, measured in multiple decades, not in terms of quarterly moments. If more boards behaved this way, we would have better performing enterprises and lasting companies.

10) SEEK MENTORS AND TEACHERS, AND CONNECT THEM TOGETHER. From early in his career, Jorge Paulo Lemann actively sought people he could learn from, and he would make pilgrimages to visit them: the great Japanese industrialist Matsushita, the visionary retailer Sam Walton, the great financial genius Warren Buffett. Not only that, he found ways to connect great people with other great people; he wasn't "making connections" in the traditional way, but facilitating interactions among exceptional people and thereby stimulating an exponential level of learning for everyone. Interestingly, as he moved into his fifth, sixth and seventh decades of life, he continued this learning quest, often seeking mentors and teachers younger than himself. The three founders remain always students, learning from the best and then teaching the next generation. Jorge Paulo Lemann, Carlos Alberto Sicupira and Marcel Herrmann Telles have, I suppose, seen me as a teacher; but the great irony is that I have been a voracious student of theirs all the way along.

Having studied the development of some of the most extraordinary business stories of all time, and the entrepreneurs and leaders who built them, I can say definitively that this story – rising from such humble beginnings to global prominence – is one of which Brazilians should be immensely proud. It stands in the same league as great business visionaries like Walt Disney, Henry Ford, Sam Walton, Akio Morita and Steve Jobs. And it is a story that leaders from around the world should know, as a source of learning and inspiration.

Best of all, the story is not yet done. As these fanatics never stop asking, no matter how much they've achieved: *What's Next?*

Jim Collins
Boulder, Colorado, USA
January 4, 2013

The building of an empire

The highlights of the trio's meteoric rise

1939 Jorge Paulo Lemann is born in Rio de Janeiro.

1948 Carlos Alberto Sicupira is born in Rio de Janeiro.

1950 Marcel Herrmann Telles is born in Rio de Janeiro.

1961 Lemann completes economics course at Harvard University in three years.

1963 On returning to Rio de Janeiro after an internship with Credit Suisse in Geneva, Lemann is hired by the Invesco finance house. The firm, of which he becomes a partner, goes bust three years later.

1967 Lemann begins working at the Libra brokerage, owned by Banco Aliança, and starts off with a 13% stake in the firm.

1989 Garantia buys the brewer Brahma for US$ 60 million. Telles is chosen to run it and leaves the bank's daily operations.

1993 Lemann, Sicupira and Telles found GP Investimentos, the first private equity firm in Brazil (independent of Garantia). Sicupira leaves Lojas Americanas for GP.

1994 Garantia registers its best-ever year, with a profit of almost US$ 1 billion.

1998 Garantia is sold to Credit Suisse for US$ 675 million after being hit by the effects of the Asian crisis and the weakening of its culture.

1999 Brahma buys rival brewer Antarctica and creates Ambev.

2003 Lemann, Telles and Sicupira sell part of their shares in GP Investimentos to a new generation of partners, led by Antonio Bonchristiano and Fersen Lambranho. The three businessmen would sell their remaining equity stake the following year and leave the business entirely.

1970

Lemann leaves the company after failing to buy control of Libra.

1971

Lemann and a group of partners buy the Garantia brokerage operating license.

1972

Telles is hired by the brokerage. His first weeks of work are spent as an office boy.

1973

Sicupira, who meets Lemann while underwater fishing, starts working at the brokerage.

1976

The US bank JP Morgan tries to buy the Garantia brokerage. Lemann pulls out, decides to enter investment banking and founds Garantia.

1982

Garantia buys Lojas Americanas. Sicupira leaves the bank to run the retailer.

2004

The three entrepreneurs start 3G, a fund aimed at investing in American companies. Alexandre Behring is chosen to run it.

Interbrew of Belgium buys Ambev, creating InBev. Under the deal Lemann, Telles and Sicupira become shareholders in the new brewer. They later increase their equity stake in InBev and become the biggest individual shareholders.

2006

Americanas.com, the retail electronic arm of Lojas Americanas, buys Submarino, founded by GP Investimentos in 1999.

2008

InBev buys American brewer Anheuser-Busch, producer of Budweiser, for US$52 billion. The new company, called AB InBev, is the world's biggest brewer. Carlos Brito becomes CEO.

2010

3G buys global control of American fast food chain Burger King for US$4 billion.

2013

3G announces purchase of American food manufacturer Heinz for US$ 28 billion. Warren Buffett is the Brazilians' partner in the deal.

The "invaders" of Anheuser-Busch

Brazilian businessman Jorge Paulo Lemann was traveling in the Gobi desert at the end of May 2008 when his Blackberry started ringing non-stop. He was on holiday in Asia with his wife, Susanna, and a couple of friends – former Brazilian president Fernando Henrique Cardoso and his wife, Ruth. They were anxious to see one of the world's largest deserts, located in northern China and southern Mongolia with its rugged mountain ranges, gravel-strewn plains and constantly shifting dunes. The temperatures are extreme, rising above 40°C in summer and plunging to -40°C in winter. Although Lemann did not neglect the touring agenda, his cell phone was always by his side. The situation was urgent. Some months earlier, he and his partners, Marcel Hermann Telles and Carlos Alberto Sicupira, the controlling shareholders and members of the board of directors of the Belgian-Brazilian brewer InBev (owner of Ambev) had been drawing up a plan to acquire Anheuser-Busch (AB), which made the world's best-selling beer, Budweiser.

Banks, lawyers and a small group of InBev executives had been working in absolute secrecy on the Amsterdam Project, as the plan had been dubbed. The acquisition would transform the company that resulted from the merger of InBev and AB into one of the world's four largest consumer groups, behind giants like Procter & Gamble, Coca-Cola and Nestlé. Acquiring such a symbol of American capitalism would not only be the biggest deal the three *cariocas,* as natives of Rio de Janeiro are called, had ever made, but turn them into the most powerful Brazilian businessmen ever, and with the greatest global reach.

Everything had looked under control until their secret was leaked to the whole world at 2:29 P.M. on May 23 in the *Financial Times* Alphaville blog, which published an item stating that InBev was preparing an offer worth US$46 billion for the long-established brewer. The item gave details of the financing model to buy the company, the names of those involved in structuring the deal, and when the first approach had been made to August Busch IV, AB's CEO and a member of the family that gave the company its name. Even though he was "lost" in the middle of the largest desert in Asia, ignoring a leak that could jeopardize the whole plan was simply not an option for Lemann.

"He remained calm throughout the whole trip to China and sorted everything out by mobile phone in a very objective way," said Cardoso. The former president said he had become friends with Lemann after leaving the presidency. This was the first tourist trip they had made together.

Between camel rides and orchestrating the most ambitious business deal of his life, Lemann actively avoided replying to one single e-mail. That was from Busch IV, who had been astonished to read on the Internet that he ran the risk of losing the company founded by his family and was writing to Lemann to demand an explanation. Lemann needed to think of the best way to tell Busch IV that InBev did intend getting hold of his company, a conversation he knew would not be easy. It was better to wait than say anything.

The move by the Brazilian threesome may have taken Anheuser-Busch, analysts, investors and journalists throughout the world by surprise, but it was the kind of move Lemann, Telles and Sicupira had been dreaming about since 1989 when they bought control of the Rio-based brewer. At that time, they knew absolutely nothing about the beer sector. Their fortunes had been created through an investment bank called Garantia, which Lemann had founded in 1971. This bank made history by emphasizing meritocracy (remunerating and promoting employees purely on their performance without considering factors such as how long they had been in-house) and partnership (giving the top performers the chance to become partners in the firm), concepts that had never been heard about in Brazil. Telles and Sicupira, known as Beto, both came from middle-class backgrounds in Rio and personified this approach. Lemann had hired them both in Garantia’s first years and they had moved up the ladder until they became his main partners.

Sicupira left the bank’s daily operations at the start of the 1980s to take charge of Lojas Americanas, a retail chain Garantia had just bought. No Brazilian investment bank had ever bought a company to take over its management until that time. Telles later followed a similar path and gave up the financial market to take on the challenge of transforming a faltering brewer into a company with international standards. Brahma, which Telles acquired, was only a tiny fraction of the size of Anheuser-Busch, which was the world’s largest beer producer at that time. “I used to laugh and tell people within the company that we would buy Anheuser-Busch one day… I laughed so that people would not think I was crazy… Although it was a dream, there was a chance of achieving it by feeling your way forward,” Telles once said.

The road to making the bid for AB was long. Its main steps included the purchase of the São Paulo brewer Antarctica to create Ambev in 1999 and the agreement with InBev of Belgium in 2004. In 2008, almost two decades after buying Brahma, Lehmann, Telles and Sicupira were finally poised to swallow up the giant Anheuser-Busch and no leaked news story would stop them from going ahead.

The silence from his likely executioners left Busch IV, known as "the Fourth," disconcerted. He and his team wondered whether this band of Brazilians would really have the guts to seize an American symbol. However, the truth was that, despite its tradition and size, Anheuser-Busch had lost its former sparkle. The company had been founded by a group of German immigrants in 1852 in St. Louis on the banks of the Mississippi and was originally called the Bavarian Brewery. Eight years later, it was bought by Eberhard Anheuser, a local businessman who had made money from a soap factory. The brewer started to take off with the arrival of his son-in-law, Adolphus Busch, who launched the Budweiser brand in 1876. He then bought 50% of his father-in-law's stake and renamed the company Anheuser-Busch. It had remained a family-owned concern until then, with the command handed down from generation to generation. Every member of the family was introduced to the brewer, literally, in the cradle. The male heirs of the clan were traditionally given five drops of Budweiser a few hours after they were born.

This formula worked well for many decades. By the end of the last century, AB dominated 60% of the American market and had the biggest revenues in its sector. However, as often happens with such large corporations, the peak was followed by a decline. The company concentrated its business in the United States and squandered the chance to go international while its rivals, like

InBev, were expanding worldwide. AB’s earnings stagnated. To make things worse, its heirs and executives continued to lead the life they had grown used to, lavished with perks, as the American journalist, Julie MacIntosh, relates in her book *Dethroning the King – The Hostile Takeover of Anheuser-Busch*. The Busches and the company’s directors had a fleet of planes at their beck and call – “Air Bud” – with six private planes and two helicopters, which employed 20 pilots. Those who could not get a seat on the company planes were entitled to fly first class. Accommodation was always in five-star hotels, like the Pierre in New York, and the tab for normal business meals approached US$ 1,000.

Anheuser-Busch was like a doting mother who let her spoiled children buy anything they wanted, including unusual “toys” like the Busch Gardens and Sea World amusement parks in Florida. Just what a brewer had in common with roller coasters and trained dolphins is hard to say, but this did not seem to be any problem for the AB bosses.

There was not the slightest possibility of vanity acquisitions like this being made at InBev, where high costs were regarded as a sin. Executives flew coach class and stayed in three-star hotels, sometimes even sharing the same room. Meals in restaurants were modest affairs, washed down with a beer, at most. These were two opposite worlds that were about to collide.

The InBev executives were well aware of these differences. At the end of 2006, they had made a deal to allow Anheuser-Busch to become Inbev’s official importer in the US. The agreement gave the Americans access to famous global brands like Stella Artois and Beck’s that could help pull it out of the lethargy into which it had slumped. The deal was even better for InBev which gained a commercial partner in the US and could see at close hand how it operated. Busch IV, a former playboy who had recently taken charge and only rarely appeared at the head office, did not realize the danger he was running, and opened the door to the InBev CEO, Carlos Brito.

Brito was born in 1960 and studied for an MBA at Stanford, thanks to a grant from Lemann. He was one of four Garantia employees who ended up in Brahma when the bank bought the brewer. In the decade he had known Lemann and his partners, Brito had absorbed all the trio's concepts and become the embodiment of the culture they preached, someone who was absolutely obsessed with cutting costs and devoted to meritocracy. He shunned interviews and the limelight and led a quiet life with his wife and four children. He was the opposite of Busch IV and it was precisely for this reason that he took advantage of every inch of the opening Busch provided after the distribution deal. Brito saw ostentation and investments for himself that made no sense. He also analyzed the power relationships. Although the Busches still had their name stamped on the company, the clan held only 4% of AB stock, a smaller stake than mega-investor Warren Buffet, for example. All this would serve as ammunition in the creation of a strategy to conquer the maker of Budweiser, a brand that was so symbolic for Americans that Brito once described it as, "America in a bottle."

While Lemann remained silent, Busch IV resolved to take action. He summoned the board of directors for a meeting with bankers Goldman Sachs, his long-standing advisers, on May 29 – six days after the news had leaked on the FT blog. This meeting also included lawyers from Skaden, Arps, Slate, Meagher & Flom, and AB would also shortly hire Citibank. The Fourth wanted to know whether InBev could really put together a loan of US$ 46 billion at a time when the financial market was showing signs of trouble. For example, Bear Sterns had just been rescued under pressure by JP Morgan. The group also needed to know how to proceed if the takeover proposal materialized.

By that time, Lemann had replied to Busch’s e-mail, although only to state tersely that he would be out of touch for a few days as he was traveling in the Gobi desert. He added that he felt it would be a good idea for them to meet.

This meeting was arranged for June 2 in Tampa, Florida. Lemann asked Busch to come unaccompanied by any advisers or consultants. Lemann would also be alone – well, *almost* alone. Telles would be with him. Although Busch, an heir who did not know his company well, would be facing two experienced businessmen and former bankers, he rashly agreed to this proposal.

Busch was nervous, and wanted to know if an offer would be made and for how much. Despite the fact that they were on the verge of the biggest deal of their lives, Lemann and Telles showed no pressure, maintaining their calm demeanor and the poker faces they had perfected during their years on the financial market. They said only that InBev was certainly interested in buying AB, but refrained from offering any details. In some ways it was the opposite of what had occurred a year earlier when Lemann suggested during an informal meeting with Busch that the two companies should merge. He argued at that time that the two companies would be unbeatable if they were united. Busch did not get the message – or pretended he did not get it.

InBev formalized its offer on June 11, only nine days after the Tampa meeting. Brito phoned Busch from Brussels and told him he would be sending an immediate proposal to buy AB. InBev was offering US$ 65 a share (a premium of 18% on the stock’s highest-ever price). He also proposed that the head office of the new company would remain in St. Louis and that it would be renamed AB InBev, thereby preserving the American name. The InBev executives knew that the price was very important to convince the AB shareholders, but they also had to show their due appreciation of the AB traditions to preempt any resistance to the move by AB itself. And then of course there was the court of public opinion. Maintaining the location of the head office and awarding Anheuser-Busch first billing in the new company's name were the sensible things to do, as any war over status symbols would only hold up the deal.

Brito hung up. Before signing the letter, the two representatives of Lazard, InBev's main financial adviser, asked for five minutes of his time. Steven Golub, 62 years old at the time and an experienced banker, warned Brito of the turbulence ahead. "The trip we are starting with this letter will last a long time," he said. "There will be days when we will be up and others when we will be down. The other side will do things we have not thought about and, at some point, we will have to revise our plans. Be prepared."

Although Brito was confident in the acquisition, he had never led a business of this size, and listened to the banker's recommendation in silence. The other Lazard representative, Antonio Weiss, a New Yorker, told Brito that he had taken part in a number of mergers and acquisitions and that when things did not go well, the CEO was usually the first person to be shown the door. "If I do the right things with my team and the other side decides not to sell, I don't think I will get the blame," said Brito. "Obviously, if I mess it up, that will be a different story… People are prepared to take greater risk here and dream on a large scale because they know they will not be crucified if something goes wrong provided they stick to what we have all agreed together."

Weiss said no more.

Golub was right when he warned Brito about the difficulties to come. A fierce battle broke out for control of the American brewer the moment Brito and Busch hung up. The proposal not only became a divisive issue between the shareholders and executives on the two opposing sides, but internet sites against the deal popped up, making it a national *political* matter. The then candidate for the presidency, Barack Obama, even claimed it would be a “shame” if AB was purchased by a foreign company.

Someone had to explain the Brazilians’ plans to the Americans, and that someone would not be Lemann, Telles or Sicupira, who all had an aversion to spin tactics. The burden fell on Brito, who was unused to the spotlight, and not exactly renowned for his diplomacy. But the situation was dire enough that he had to overcome his discreet but harsh delivery and get ready for the artillery. He had to make a convincing case and, somehow or other, create great sympathy for the plan. His baptism by fire occurred on June 16 in Washington during a meeting with Claire McCaskill, the Democratic Senator for Missouri, and other members of the Senate.

“I did not know that McCaskill had invited journalists,” Brito recalled. “I had prepared myself to talk to the Senators when suddenly she opened the door and left the room. One member of our team, who had been outside, came in and said the press was waiting for me. There was only one way out and I had to go through *that* door. It was like a film scene: you open the door and everybody starts rushing at you with microphones, asking about your intentions; whether you are going to buy the company or not, whether you will be firing workers or not. That’s how we had to make our case that the aim was to create a single company that would have the best of both sides on their own. We wanted to take Budweiser global and give better opportunities to the best people. We said we had made some commitments

– not to close plants, to keep the company name, maintain the head office in St Louis. How could anyone be against this? What could anybody say? That the companies should stay separate and remain worse than they would be if they got together?"

While InBev was making efforts to win over the Americans, Anheuser-Busch was preparing its defense strategy. The AB executives were not remotely willing to hand the company over to the Brazilians. They knew what had happened to Belgium's Interbrew, which had also been a long-established family-controlled firm. Although Interbrew had actually bought Ambev, it was the Brazilians' culture and management style that ran the show.

The Fourth needed to convince investors that, although AB shares had been stagnating recently, selling the company was not the best way to regain growth. With the help of executives, advisers and some members of the board of directors, he drew up a cost-cutting plan. At the same time, he tried to form an alliance with the Mexican company Modelo to show that AB could expand without having to surrender its control to a rival. His strategy made the turbulent relationship he had with his father, August III, even worse. While the Fourth wanted to resist the bid at any cost, the Third thought it would be better to sell out to InBev at a fair price than create a great fuss.

"The Third's greatest worry was that the share price would plummet if the offer was rejected," said a person who followed the negotiations. The first obvious sign that the deal between the brewers was raising concern among some shareholders came when Warren Buffett, the second-largest stockholder with a stake of almost 5%, started selling stock on the market at around US$ 60 a share – five dollars below the InBev offer.

"There were people on the board who, in my opinion, tried to carry out highly non-commercial things to block those they called the 'invaders,'" Buffett said about the episode.

Buffett is one of the world's richest men. *Forbes* magazine reported in March 2013 that he was the fourth richest man on the planet, with a fortune of more than US$ 53 billion. Buffet operates from an office on the 14th floor of an anonymous grey building in Omaha, a city of 427,000 inhabitants in Nebraska. He has been making the same daily trip from his home to his office for 50 years. Despite his fabulous wealth, he has not changed either address. The head office of his company, Berkshire Hathaway, only has 24 staff, including the founder himself. Visitors do not encounter any security or even a receptionist. There is just a small plate bearing the company name on the office door with a doorbell alongside for those who want to enter. It is decorated in an old-fashioned way, with dark furniture, wooden blinds and shelves filled with books. The Sage of Omaha's own office measures a modest 25 square meters. On a sunny Saturday morning on May 19, 2012, Buffet made himself available to talk about his longstanding friend, Jorge Paulo Lemann, whom he met in 1998 when they were both sharing views and experiences on the board of directors of Gillette. Buffet was wearing khaki trousers and a long-sleeved, blue shirt bearing the initials of his company – BH – embroidered on the front. With a welcoming half smile, he leaned back against a leather cushion and recalled his first meetings with Lemann:

"I knew absolutely nothing about him and had never even heard of him. We used to meet every two or three months and it took some time before we really got to know each other. However, you learn a lot of about people on a board of directors. What I noted right from the beginning was that he said things that made sense. He didn't pretend to know things he didn't or talk just to hear the sound of his own voice. He had a tremendous view of business and was articulate, which cannot be said for all board members."

Buffett and Lemann share a lot in terms of lifestyle and working habits and this was the basis for the firm friendship they built up. They hate ostentation, dress simply and are straight talkers. Both have created relationships that have lasted decades – Buffett with Charlie Munger; Lemann with Telles and Sicupira. The two have the same ambition of building up companies that are sustainable. Buffett likes to see Berkshire as his great "painting," a work of art that will never be perfect and should become more beautiful with every passing year. Lemann's dream is to build a management model that will be a benchmark for companies in the 21st century. Accumulating money is more a result than an objective for both of them.

"It's not about thinking 'if I win a million dollars or a billion dollars, the game is over,'" said Buffett. "That's because after a certain point, money is of no more use."

Despite their close relationship, Buffett said he had been taken by surprise by the Brazilians' offer for AB:

"I thought that he would do it one day, but did not know it would be at that moment. It was an enormous step at a completely hostile time. There was one moment when I honestly did not think the deal would go ahead. It was the only transaction of that size at that time... My decision was to evaluate whether, against that backdrop, the share price would rise or not and whether the deal would really be made despite the crisis. I then sold a part of my stake which annoyed some people. I didn't know how the AB board worked. I had met the Fourth only once at a baseball game and spoken personally to the Third about 15 years earlier. I had never spoken to them by phone or had any relationship. This happens sometimes with companies in which we invest. We had a big investment in AB but not as big as we have in Coca-Cola, for example. I liked the company and we had been part of it for many years... It would be difficult to lose money there just as it would be difficult to make any great gain. It was a solid option, but nothing particularly exciting."

Under pressure, the Anheuser-Busch representatives decided to counterattack. If the American brewer *had* to end up in other hands, then it would be at the best possible price. On July 8, Busch IV phoned Lemann. Two members of the AB board of directors, Ed Whitacre and Sandy Warner, were by his side. Both were old acquaintances of AB and friends of the family. Whitacre had made his career in the telecommunications sector and become CEO of AT&T. Warner was a retired banker who had become famous after selling JP Morgan, the bank he headed, to Chase Manhattan in 2000. The message the three men sent Lemann was crystal clear: if he wanted to buy AB, he would have to move quickly and pay more money than he had foreseen. As soon as he hung up, Lemann called the main players in the bid. One of the first to be told about the Busch IV call was Roberto Thompson, who was known to people close to Lemann, Telles and Sicupira as "the ex-bankers' banker".

Thompson had met them after returning from an MBA course at Wharton in 1986, when he went to work at Garantia. In 1993, he followed Sicupira, who had left the Lojas Americanas retail chain to set up GP Investimentos, the first private equity firm in Brazil. It was during his time at GP that Thompson saw how big companies were run on a daily basis. He gradually gained the trust of the three until he became a kind of *consigliere* for them. He was responsible for structuring the large acquisitions by companies they controlled, such as the São Paulo brewer Antarctica and the sale of Ambev to Interbrew. Someone who took part in a meeting with Thompson described him as a polite, cold and pragmatic person who rarely smiled or raised his voice – a winning trait in the war of nerves these large negotiations usually turned into.

"The AB representatives said we had 24 hours to make our best offer," Thompson said, referring to the Fourth's phone call to Lemann. "We quickly called a meeting of the board by phone, as every member was in a different part of the world. We had to redo the accounts and everything had to be well thought out. The amounts involved were very large and there would be no share swap but cash payments. At the end of the meeting, we decided that we could raise the bid by five dollars a share."

On July 13, after weeks of arm wrestling and several meetings that directly and indirectly involved almost 500 people, including shareholders, lawyers and bankers, Anheuser-Busch finally relented, accepting InBev's offer of US$52 billion. But the deal still needed the approval of the shareholders of both companies and the regulatory bodies.

Convincing the Americans to give up control of the company had been very difficult, but though they were now the world leader in the beer market, the worst was yet to come for the Brazilians.

The global economy had been showing signs of cooling for several months when on Sunday September 14, 2008, in an event more dramatic than even the pessimists had predicted, Lehman Brothers, the fourth-largest bank in the US, filed for bankruptcy protection after a number of failed attempts to rescue it. The end of Lehman Brothers, an institution with 150 years of history, was the spark that set off a grave financial crisis similar to 1929. Fear spread throughout companies and banks and encircled the world. Merrill Lynch agreed to be sold to Bank of America for US$50 billion, one–third of its market capitalization. Companies listed on the New York Stock Exchange lost over one trillion dollars in market value in a single day. This state of affairs was a matter of great concern, to say the least, for the Brazilians from InBev who needed to pay US$ 52 billion to the Anheuser-Busch shareholders as soon as the deal was completely approved. How could the company honor its debt with virtually all the world's sources of money drying up?

"For two months, between the crash of Lehman and the end of negotiations, we were really anxious," recalled Brito. "Things were out of our hands and nobody knew where the world was going... We announced the transaction in one world and signed the contract to buy it in another... Some of the banks in our consortium almost disappeared... It was as though we had entered a tunnel and, somehow or other, had to get to the other end – only by the other end, it had suddenly started to rain. What could you do? Begin to think of a plan B, a plan C, on other ways of financing... One good thing was that no-one wasted time accusing anyone else with nonsense like, 'I told you this would happen'... we had to deal with an unexpected situation."

Lemann, Telles and Sicupira followed every step attentively. Though the collapse marked an unprecedented development, they had developed the ability to remain as calm as possible during dramatic episodes, not only during their time as bankers and entrepreneurs but also in sport. Lemann is an excellent tennis player and before his status as an accomplished businessman, competed at professional level. Perhaps even more impressive is that the three partners practice underwater fishing, a radical sport that combines physical resistance and absolute precision in firing a harpoon, and this moment demanded the preparation, patience and execution they had developed together on the seabed.

The acquisition of AB did not unravel, thanks, to a large extent, to the intricate agreement created by the InBev CFO, Felipe Dutra, with the consortium of banks that would finance the operation. Like Brito, Dutra, also from Rio, had worked with InBev's controlling partners for many years. He was an economist and joined Brahma in 1990. He had been CFO since 2005. Dutra was detail–oriented and had established an aggressive set of conditions in the contract with the 10 banks involved in the deal – Santander, Bank of Tokyo-Mitsubishi, Barclays Capital, BNP Paribas, Deutsche Bank, Fortis, ING Bank, JP Morgan, Mizuho Corporate Bank and Royal Bank of Scotland. His greatest triumph was to successfully exclude a clause known as the Material Adverse Change (MAC), which guarantees the institutions the right to renegotiate the financing conditions in the event of any sudden worsening of the situation. As the banks did not have this clause in the contracts, they were obliged to adhere to all the conditions to which they had agreed before the crisis broke out and they were legally prevented from abandoning ship. Along with this watertight contract, the Brazilians also had a generous dose of luck. None of the banks within the consortium went broke, like Lehman Brothers, although some of them were pretty affected, such as the Belgian bank Fortis, part of the group of lenders and one of those most affected by the global turbulence. The government of Belgium intervened before it was too late.

"If we had placed Lehman instead of Fortis, everything would have been screwed up," Thompson said.

At the same time, InBev's main shareholders also had to provide some money. Lemann, Telles and Sicupira jointly put up 1.5 billion Euros of their own money to guarantee that the transaction would be honored. As most of their personal assets consisted of shares in the companies in which they invested, they had to take out loans and cut their personal spending. This even extended to their office on the 15th floor of a building in the Southern Zone of São Paulo. The area was cut by half to reduce the cost of renting it and has remained so to this day.

On November 18, 2008, almost six months after the *Financial Times* revealed InBev's secret, the operation was finally concluded. Three Brazilian businessmen, Jorge Paulo Lemann, Marcel Telles and Beto Sicupira, had become the main shareholders in a new giant corporation with an annual turnover of US$ 37 billion, over 200 brands in its portfolio and a global presence. In less than two decades, they had transformed a regional brewer with a strong name and feeble results, Brahma, into the biggest company in the sector at global level. All this had been achieved by repeating *ad nausea* the mantras of the corporate culture Lemann had adopted at the beginning and then spread to all the companies in which they invested: meritocracy, relentless cost control, hard work and a lot of pressure that not everyone could endure. There were no perks or status symbols. However, for the best – people like Brito, Thompson and Dutra – the opportunities gave them the chance to become business partners. It has been estimated that since Banco Garantia was founded in 1971, between 200 and 300 people who worked in the three partners' various businesses have each earned more than US$ 10 million. *Forbes* magazine reported in March 2013 that Lemann was the

33rd richest man in the world, with a fortune of almost US$ 18 billion (Telles and Sicupira were ranked in the 119th and 150th positions, with US$ 9.1 billion and US$ 7.9 billion, respectively). The three are among the 10 richest people in Brazil. Those who know Lemann well have no doubt that he only became a top-level billionaire because he enriched dozens of people on the way. The acquisition of Anheuser-Busch, as was to be seen later, would transform another group of executives of a brewer controlled by Lemann, Telles and Sicupira into millionaires. It would also only be the first of a series of moves the Brazilians would make on big American companies.

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