

# ANADOLU EFES

1H2019

CONFERENCE CALL  
PRESENTATION

08.08.2019



# Forward-Looking Statements



This presentation may contain certain forward-looking statements concerning our future performance and should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

# GENERAL OVERVIEW & OPERATING ENVIRONMENT



**Can aka**  
*CEO & Beer Group President*

#50ENFESYIL

# 2Q2019 Highlights

*Unless stated otherwise, the figures from hereon are based on proforma numbers (including the ABI merger in Russia & Ukraine for 1H2018) and excluding IFRS16 impact for 1H2019.*



## Volume growth of 3.9% on Consolidated and 8.7% on Total Beer level

- International beer operations continue to perform strong in 2Q2019
- Growth in EBI offset softer volumes in Turkey
- Growth in CCI on the back of int'l operations while Turkey cycling strong base

## Consolidated Revenue up by 34.3%; Beer up by 47.8%

- Higher volumes
- Higher prices
- Positive currency translation impact

## Strong market positions in all operating markets

- Head to head position in Russia and market leadership in Ukraine maintained
- Undisputed market leader in all other beer operations

## Consolidated EBITDA (BNRI) up by 48.7%; Beer up by 105.0%

- Higher operational profitability of EBI on economies of scale and low base

## Consolidated Net income of TL 433.3 mn

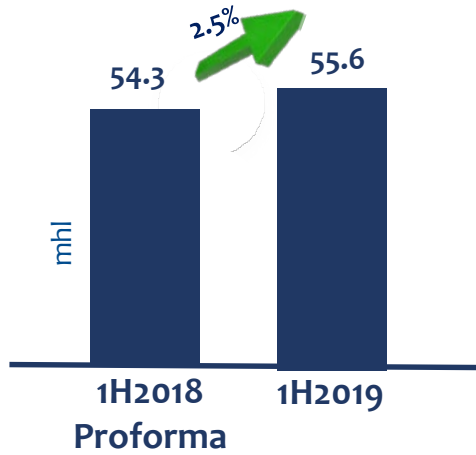
- Higher operational profitability
- Lower FX losses y-o-y

## Consolidated Solid Free Cash Flow generation of TL 634.5 mn in 1H2019

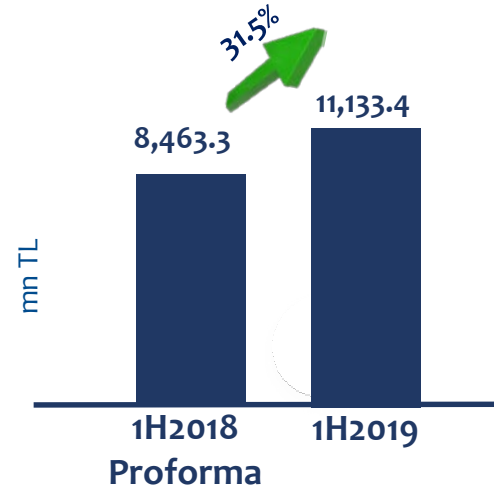
- Improved operational profitability and working capital management

# Solid Topline Together with Margin Expansion

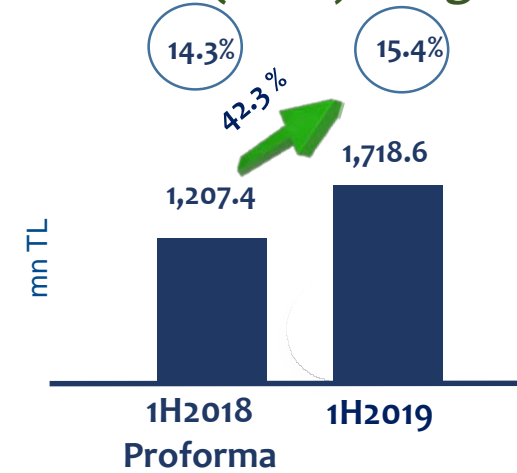
## SALES VOLUME



## NET SALES REVENUE



## Excluding IFRS 16 EBITDA (BNRI) & EBITDA (BNRI) Margin

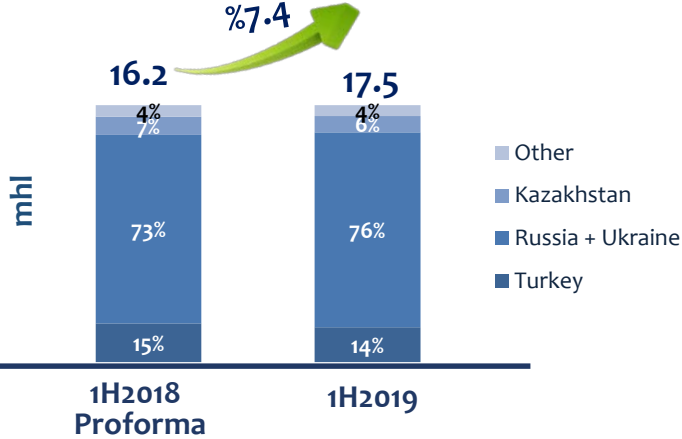


Share of\*

Turkey Beer	4%	8%	4%
International Beer	27%	37%	32%
Coca-Cola Icecek	69%	55%	64%

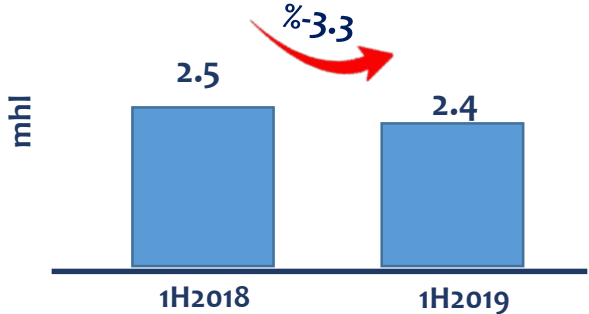
# Robust Performance of International Beer Resulted in Strong Total Beer Growth

## BEER GROUP

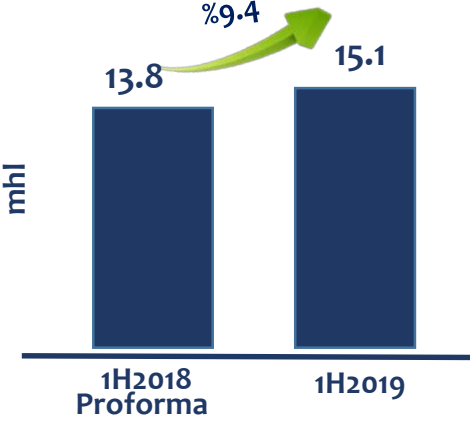


\*25.4% growth on reported basis

## TURKEY BEER



## INTERNATIONAL BEER



\*31.5% growth on reported basis

- ✓ In 2Q, Strong volume performance in international markets
  - All markets except Kazakhstan due to high base effect
- 5<sup>th</sup> consecutive quarter of growth, the highest growth in the last 6 quarters

- ✓ Much better volume performance in 2Q despite higher prices and weak consumer sentiment
- ✓ High excise taxes and accordingly higher prices create headwind for the industry
- ✓ Initiatives to win with our portfolio and increased touch with consumers paying off

- ✓ Growth recorded in all international markets, excluding Kazakhstan due to base effect
  - ✓ Strongest performance came from Russia & Ukraine
- ✓ Mid-single digit growth in Russian Beer market in 1H2019
  - ✓ Outperformance of the market growing by high-single digit
  - ✓ Increasing our presence in segments and channels in which we are under indexed
- ✓ Low-single digit growth in Ukrainian Beer market in 1H2019
  - ✓ Outperformance of the market growing by double digit
    - ✓ Launch of Efes portfolio of brands in the market
    - ✓ Growth of premium brands within portfolio

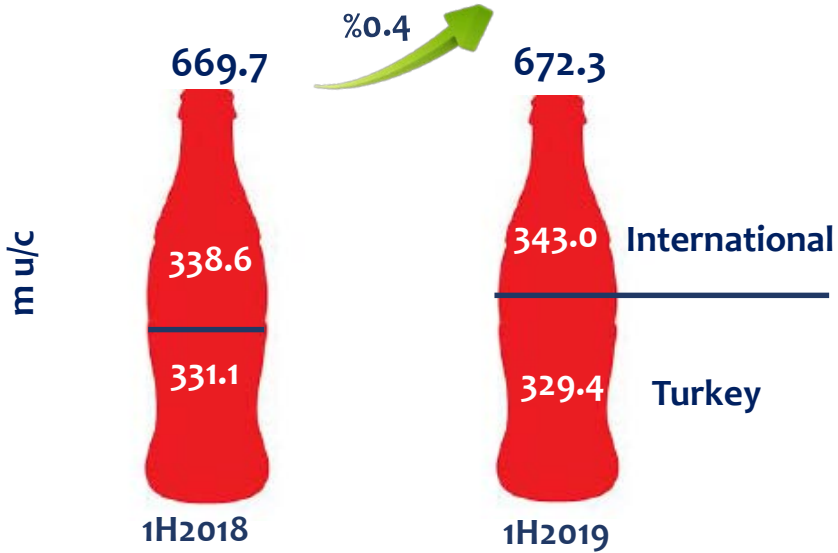
2018 proforma figures include ABI Russia and ABI Ukraine effect starting from Jan 1<sup>st</sup>.

\*Breakdowns are on a combined basis

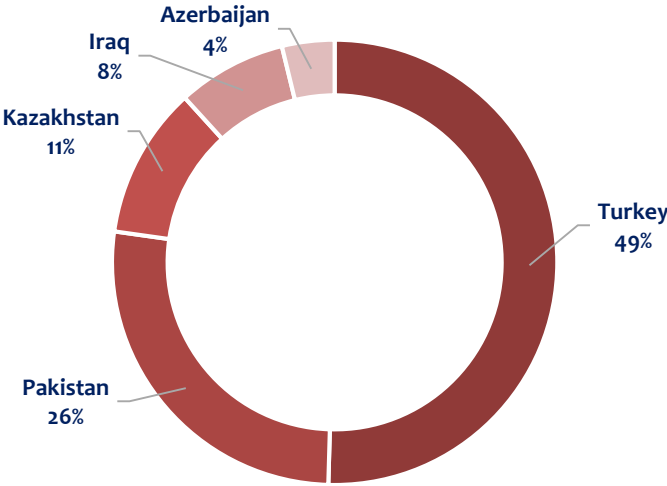


# Focus on Quality Growth in a Challenging Environment

## SALES VOLUME



## VOLUME BREAKDOWN\* BY COUNTRY



\*Breakdown is on a combined basis



- ✓ **Consolidated sales volume** increased by 1.8% to 415 million UC, cycling 9.5% growth in 2Q2018
- ✓ **Turkey** volumes remained flat at 196 million UC, cycling 7.8% growth in 2Q2018;
  - ✓ Excluding NRTD Tea category, the volume was up by 4.2%, mainly driven by solid growth in the Sparkling category despite unfavorable macroeconomic conditions.
- ✓ **International operations** volume increased by 3.4% to 219 million UC; mostly led by Central Asia operations while Pakistan and the Middle East recorded volume contraction
  - ✓ Central Asia operations continued to grow in double-digits with 17.3%
  - ✓ Pakistan down 1.8%, Middle East down 0.7%

# FINANCIAL OVERVIEW



**N. Orhun Köstem**  
*Chief Financial Officer*

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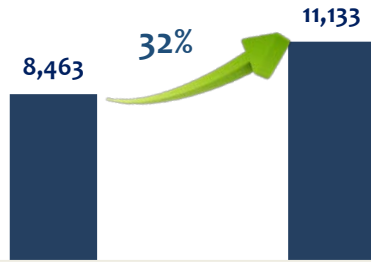


# Accelerated Topline Growth with Operational Savings and Synergies Offset Input Cost Pressures



Net Sales

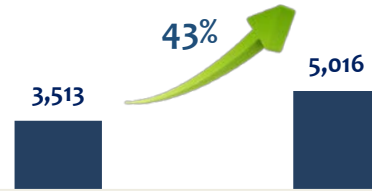
## ANADOLU EFES



1H2018 Proforma      1H2019

Margin: 34.9%      36.0%

## BEER GROUP



1H2018 Proforma      1H2019

Margin: 35.9%      38.5%

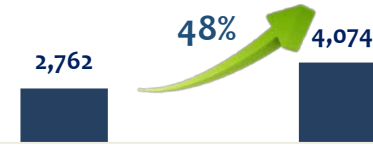
## TURKEY BEER



1H2018      1H2019

Margin: 53.7%      50.3%

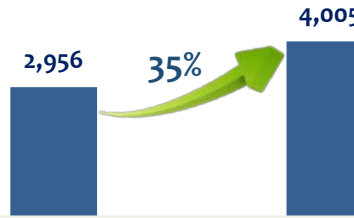
## EBI



1H2018 Proforma      1H2019

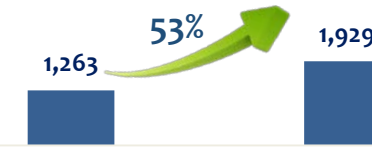
Margin: 30.8%      35.3%

Gross Profit



1H2018 Proforma & Restated      1H2019

Margin: 14.3%      15.4%



1H2018 Proforma & Restated      1H2019

Margin: 8.1%      12.1%



1H2018 Reclassed      1H2019

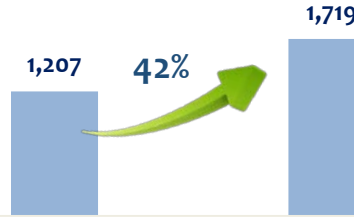
Margin: 15.7%      7.2%



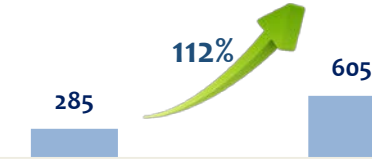
1H2018 Proforma & Restated      1H2019

Margin: 6.7%      13.5%

EBITDA (BNRI)



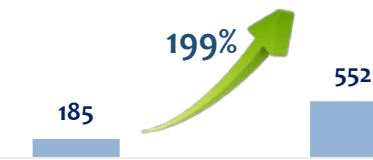
1H2018 Proforma & Restated      1H2019



1H2018 Proforma & Restated      1H2019



1H2018 Reclassed      1H2019



1H2018 Proforma & Restated      1H2019

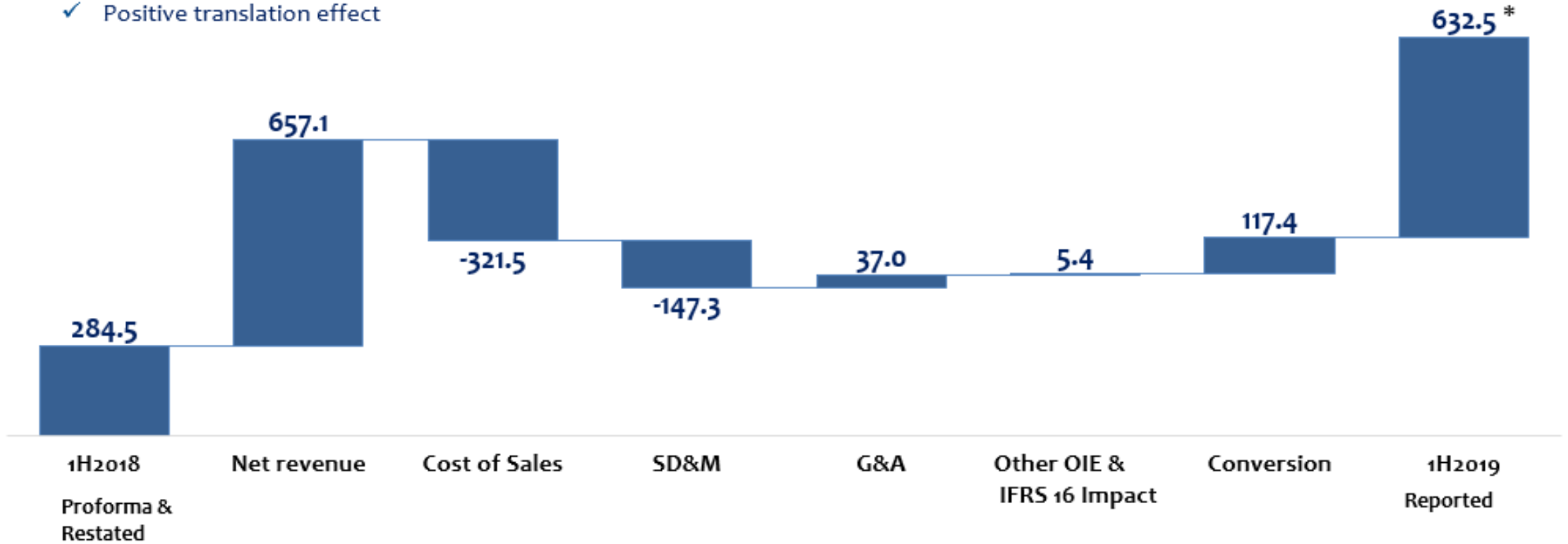
\*2018 Proforma figures assume realization of ABI Efes JV as of January 1st 2018 (instead of actual April 1st). Therefore proforma 2018 restated results include 6 months of operation of combined business. In addition to actual results, 1H2018 figures also include the incremental depreciation charge in 1H2019 which is a result of the revaluation of fixed assets following the merger in Russia & Ukraine as required by IFRS 3.

# Pillars of Beer Group EBITDA Growth



Year on year 122.3% EBITDA growth came as a result of;

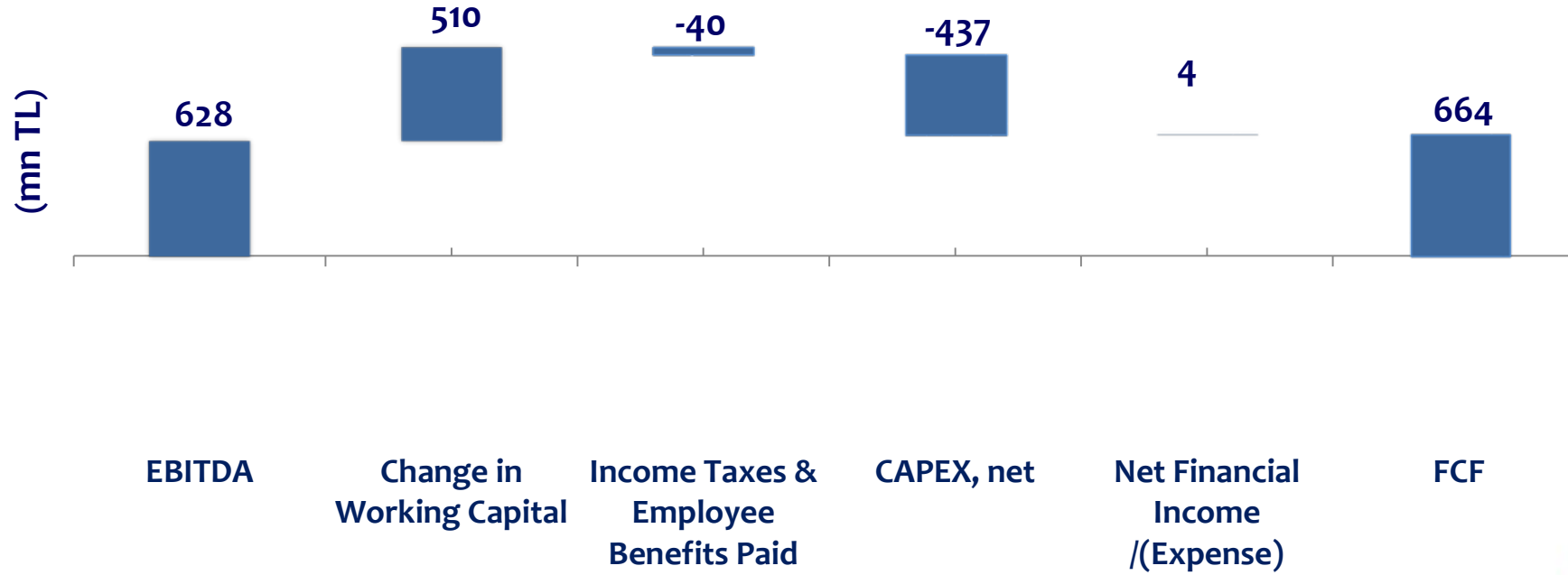
- ✓ Higher volumes and premuimization
- ✓ Savings in opex
- ✓ Positive translation effect



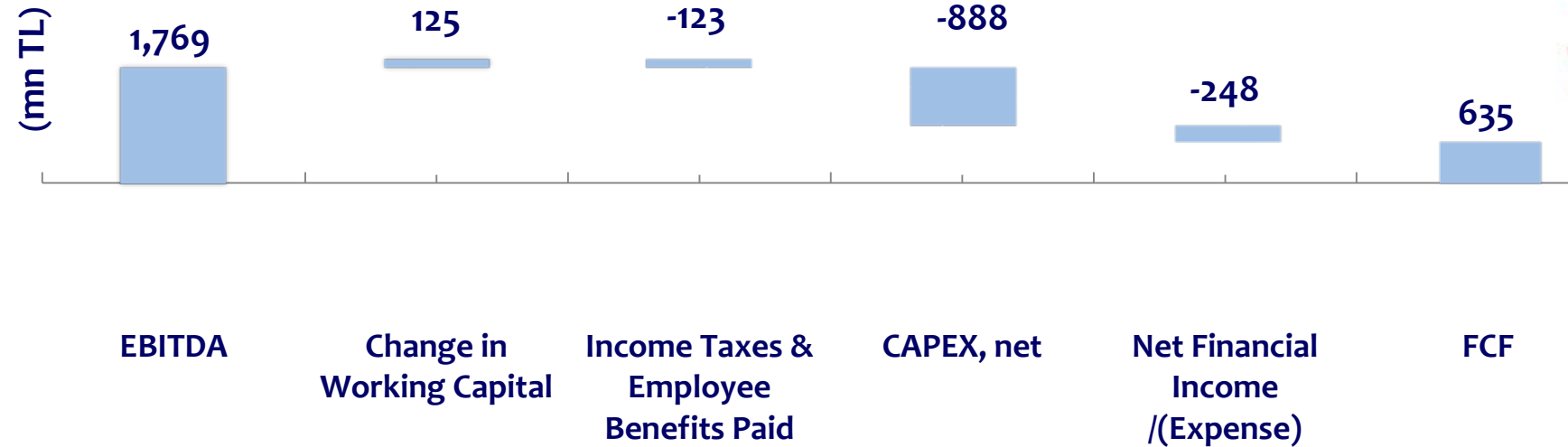
# Strong Cash Generation



Beer Group



Anadolu Efes



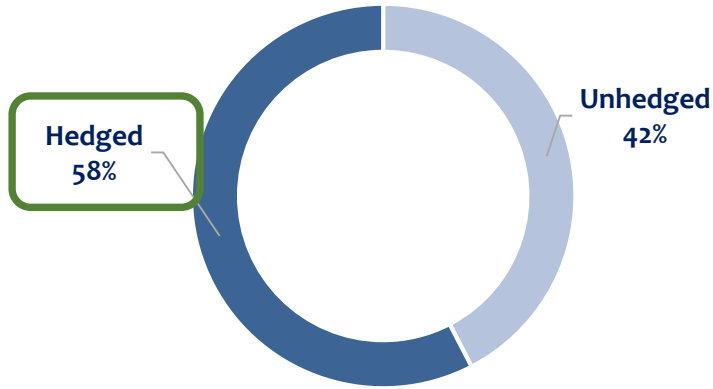
# Balance Sheet FX Exposure Mitigated...

Hedged majority of outstanding debt via various instruments; both at Anadolu Efes & Beer Group level

**December 2018**

**June 2019**

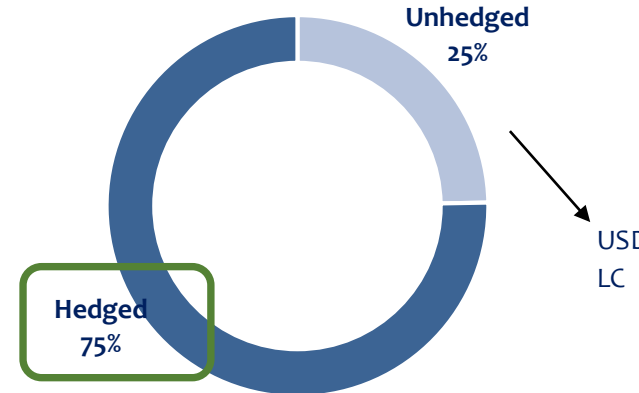
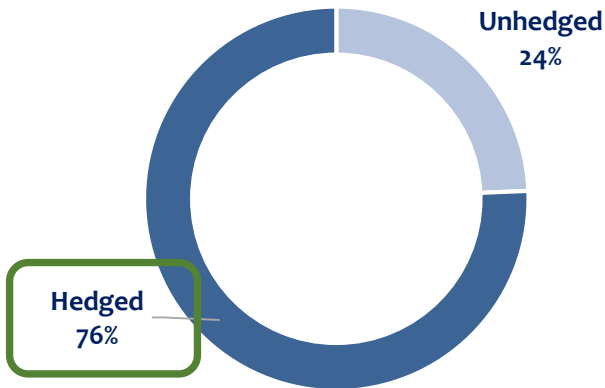
Anadolu Efes



**60%** of our debt is hedged through Net Investment Hedge and CCS as of 2Q2019

USD 20%  
EUR 11%  
LC 9%

Beer Group



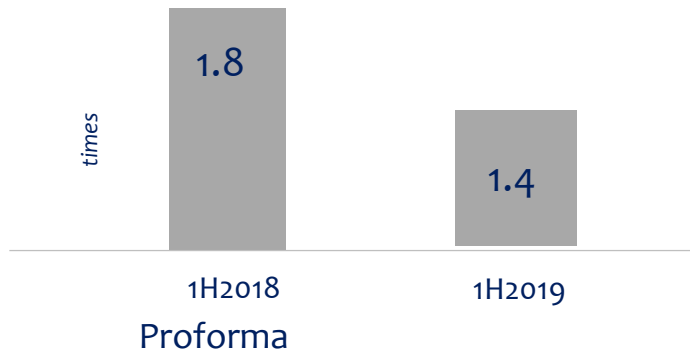
**75%** of our debt is hedged through Net Investment Hedge as of 2Q2019

USD 6%  
LC 18%

# Balance Sheet Discipline Maintained

## Net Debt / EBITDA (BNRI)<sup>1</sup>

### Anadolu Efes Consolidated

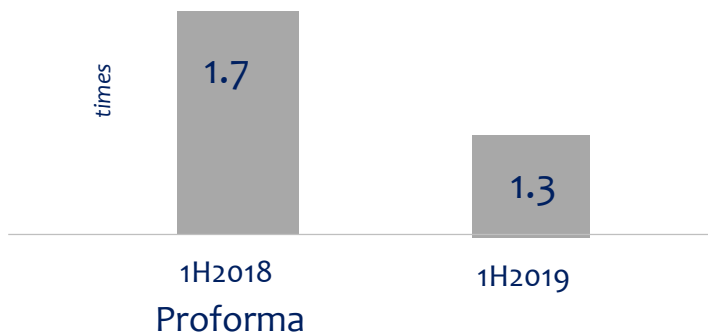


-67% of cash is hold as hard currency

-84% of debt is in hard currency  
(60% of our debt is hedged through  
Net Investment Hedge and CCS)

-82% of debt has fixed interest

### Beer Group

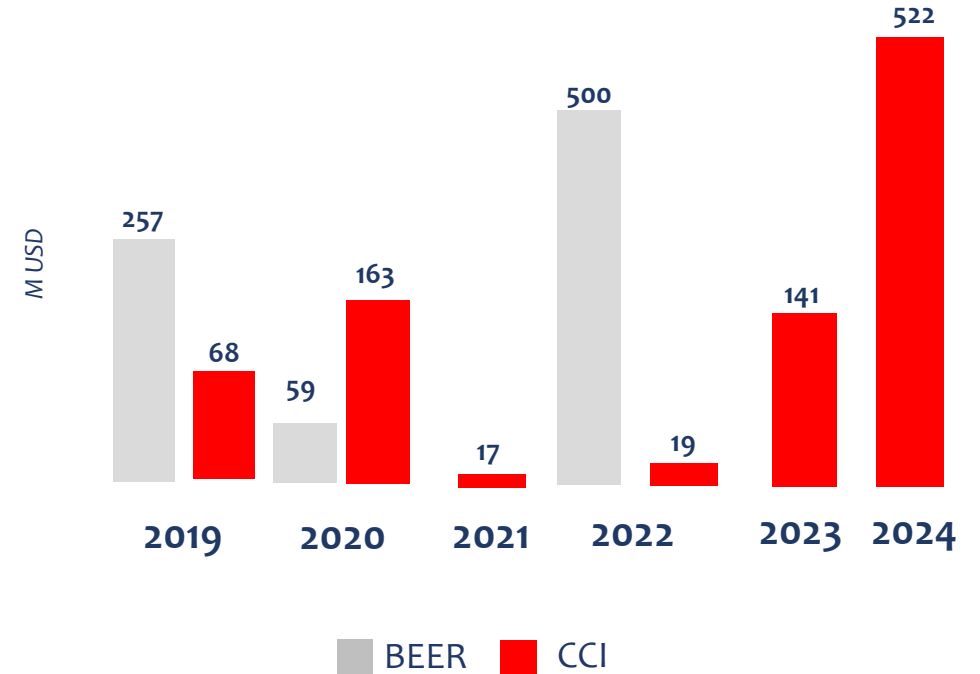


-69% of cash is hold as hard currency

-82% of debt is in hard currency  
(75% of our debt is hedged  
through Net Investment Hedge)

-84% of debt has fixed interest

## Maturity Schedule<sup>2</sup>



Easily manageable debt repayment schedule

Weighted average maturity of debt for

Beer Group is 2.4<sup>3</sup> years and

Anadolu Efes is 3.1<sup>3</sup> years

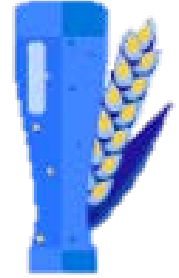
<sup>1</sup>For the purposes of Net Debt to EBITDA calculation, EBITDA(BNRI) excluding IFRS 16 impact was used.

<sup>1</sup>Trailing 12 month EBITDAs include ABI Russia and ABI Ukraine effect for the whole 12 month period.

<sup>2</sup>Figures represent principal amounts

<sup>3</sup>Excluding shareholder loans

# CLOSING REMARKS



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*CEO & Beer Group President*

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# Closing Remarks



Delivered strong results and **looking into future** confidently, despite headwinds in terms of consumer sentiment and spending

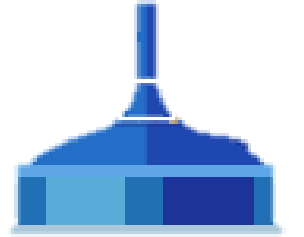
In line with our

- **BRAND** strategy,
  - ✓ Relunched all our **core brands** in our markets yielding positive impact on 2Q19
  - ✓ Taking the innovation lead to drive consumer choice and develop beer culture
  - ✓ Sponsored and brewed joy by **interacting** with more of our consumers
- **PEOPLE** strategy,
  - ✓ **Engagement** scores within the organization **is up** in general
  - ✓ Developing the capability and talent on the way, extending leadership team, ensuring key appointments
- **CORPORATE WISDOM** strategy,
  - ✓ Developing the **new operating framework**
  - ✓ **Digitizing** and **empowering** the teams on the field





# Q&A SESSION



**Can aka**

*CEO & Beer Group President*

**N. Orhun Kstem**

*Chief Financial Officer*

**#50ENFESYIL**

# Detailed 2019 Guidance



Our 2019 guidance reflects reported financials where 2018 numbers include 9-months ABI-Efes impact and 2019 expected numbers include 12-months. Reference to “proforma” means 12 month ABI-Efes impact in 2018.



**Although our business is mostly on track with the initial guidance on a consolidated basis, due to revisions in the guidance of the individual segments, we are changing our FY guidance as follows:**

	REPORTED	PROFORMA
<b>SALES VOLUME</b>		
Consolidated	low to mid-single digit growth	low-to-mid single digit growth
Total Beer	low-to-mid teens growth (previously: mid-single digit growth)	grow by mid-single digit (previously: flat)
Turkey Beer	low-single digit decline (previously: flattish)	
		outperforming the market with mid-to-high single digit growth (previously: decline slightly inline with market)
Russia	grow by high-teens (previously: low single digit growth)	
International Beer	grow by mid-teens (previously: mid-to-high single digit growth)	grow by mid-to-high-single digit (previously: flat)
Soft Drinks	1-3% growth (previously: 3%-5% growth)	
Turkey Soft Drinks	Flat to slightly positive (previously: flat)	
International Soft Drinks	2% - 4% (previously: 6%-8%)	
<b>NET SALES REVENUE</b>		
Consolidated	outperform sales volume	
Total Beer	high thirties growth (previously: low forties growth). Revision due to lower currency exchange rates than initially budgeted	low thirties
Turkey Beer	high twenties growth driven by price increases and sales mix together with favorable channel mix	
International Beer	low forties growth	low thirties
Soft Drinks	16-18% growth on a consolidated basis (FX neutral)	
<b>EBITDA MARGIN</b>		
Consolidated	Flat (previously: slight improvement)	
Total Beer	flat (previously: flat-slight positive) due to the decline in Turkey beer despite y-o-y higher margin in Russia	margin expansion higher than reported
Turkey Beer	decline (previously: decline slightly) due to lower volumes and higher procurement prices albeit at a lower pace compared to 1H	
International Beer	Improve - mainly attributable to Russian operations where synergies expected to be captured in line w/ initial guidance	
Soft Drinks	slight improvement	
<b>FCF</b>		
	continue to deliver strong FCF in both beer and soft drinks	
<b>CAPEX</b>		
	as a percentage of sales high single digits on a consolidated basis	

# FX Rates



		1H2018	1H2019	Δ%
USD/TL	AVG	4.09	5.62	37.5%
	PE	4.56	5.76	26.2%
EUR/TL	AVG	4.94	6.35	28.4%
	PE	5.31	6.55	23.4%
TL/RUB	AVG	14.53	11.63	-20.0%
	PE	13.76	10.96	-20.4%
TL/KZT	AVG	79.90	67.50	-15.5%
	PE	74.79	66.12	-11.6%
TL/UAH	AVG	6.55	4.79	-26.8%
	PE	5.74	4.55	-20.8%
TL/MDL	AVG	4.09	3.12	-23.6%
	PE	3.69	3.15	-14.6%
TL/GEL	AVG	0.60	0.48	-20.3%
	PE	0.54	0.50	-7.3%