

# ANADOLU EFES – 1Q2015 Results Conference Call Presentation

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May 7, 2015

# *Forward-Looking Statements*

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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 Performance



Financial Overview



Closing Remarks and Q&A

# General Overview & Operating Performance

*by Damian Gammell*



# 1Q2015 Key Highlights

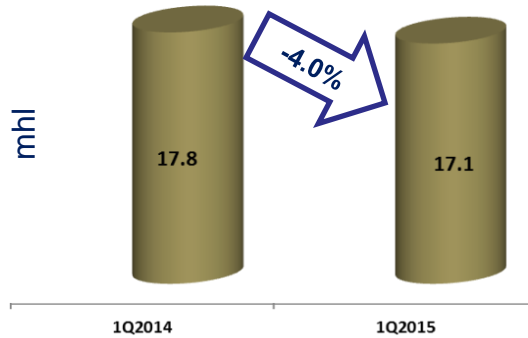
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- ✓ Targets over-delivered and consolidated operating performance beat expectations;
  - 3rd consecutive quarterly growth for Turkey beer
  - better than expected performance of international beer
- ✓ Volume expectations were beaten by continued focus on innovation and strong brand portfolio
- ✓ Margin expansion assisted by;
  - positive mix effect
  - prudent pricing
  - lower fixed costs
  - tight expense management
  - procurement savings
  - controlled FX based costs by financial hedges

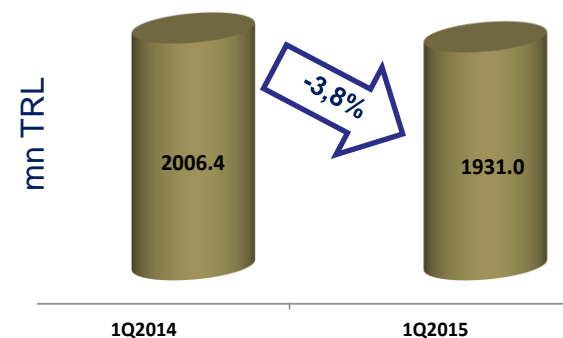
# Diversified Operational and Geographical Portfolio Mitigates Headwinds

## Consolidated Performance – 1Q2015

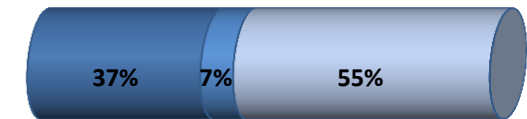
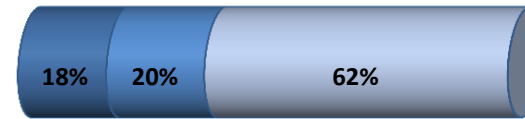
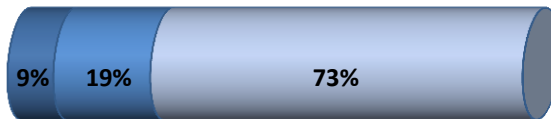
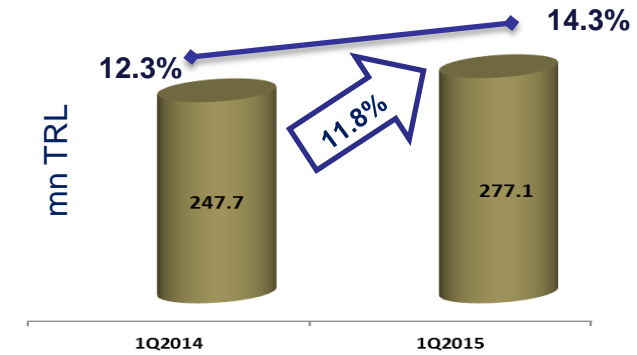
### SALES VOLUME



### NET SALES REVENUE



### EBITDA (BNRI)



■ Turkey Beer    ■ International Beer    ■ Soft Drinks

✓ Consolidated sales volume was down 4.0% in 1Q2015 vs 1Q2014

✓ Revenue decline was lower than that of volume, despite devaluation in local currencies of some major markets, assisted by;

- Strong portfolio initiatives
- Prudent pricing

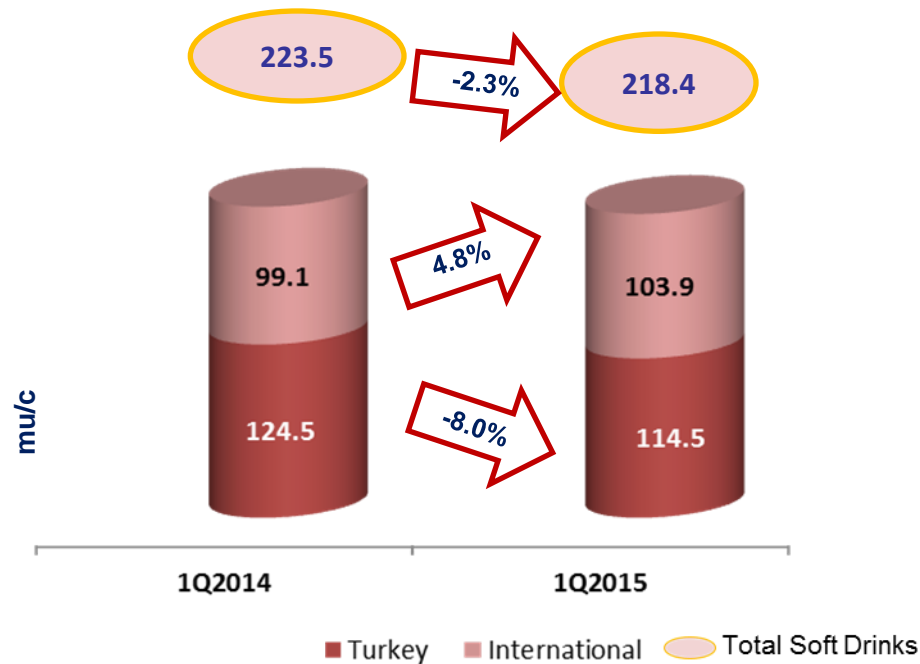
✓ EBITDA (BNRI) margin improved substantially through;

- Continued cost controls
- Procurement savings
- Tight opex management

\* Breakdowns are on a combined basis  
\* BNRI means Before Non Recurring Items

\* 1Q2014 numbers are restated

# Soft Drinks Volume Development



- ✓ Turkey volume was down, as expected, due to cycling of a high base and implementation of price increases on certain packages
- ✓ International volumes maintained growth trend despite headwinds in some markets



# Soft Drinks Strategy

**1** Accelerate Revenue and Margin Growth



- Winning At The Point of Sales
- Sales Force Effectiveness - SFE
- Revenue Growth Management - OBPPC

**2** Grow Sparkling Category and Per Caps



**3** Selectively Expand Profitable Still Portfolio



**4** Continue to Build and Enhance our Reputation

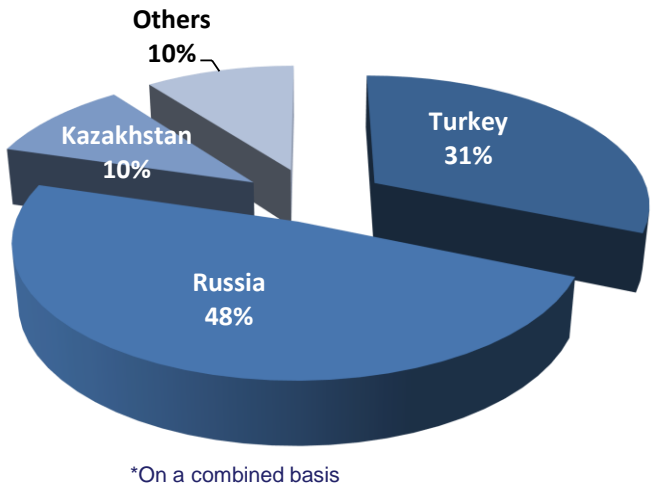
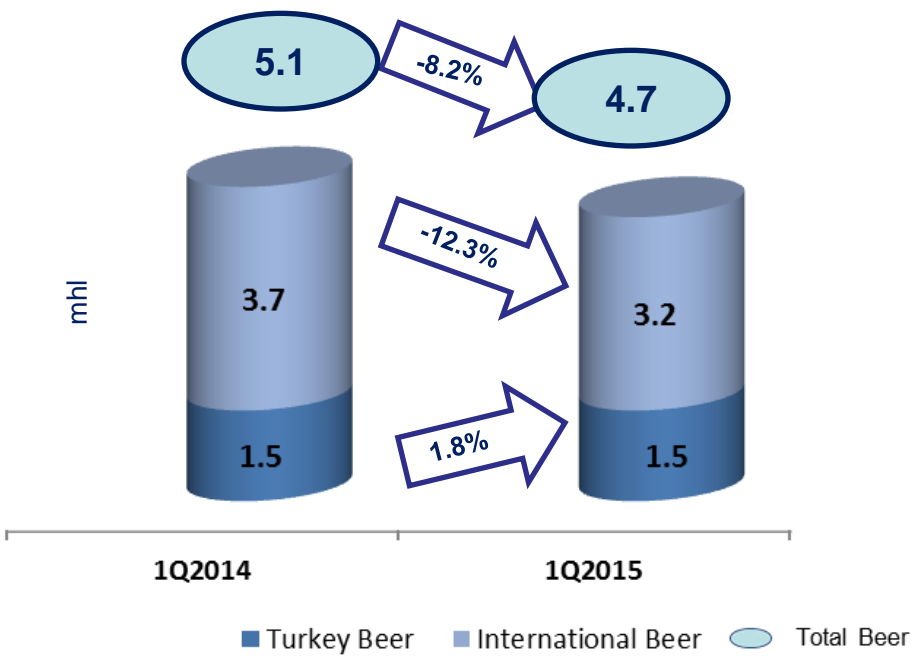


**5** Build a World Class Organization





# Beer Volume Development



- ✓ Slight domestic volume growth in Turkey
- ✓ Softer, yet better than expected volume in international beer
- ✓ Excluding Ukraine, beer volumes were almost flat, down only by 0.6%

## **B**RANDS

Provide choice and innovation to consumers:  
Grow brand love

## **E**XECUTION

Excel in customer collaboration, availability and point of sale activation

## **E**FFICIENCY

Build competitive advantage through lean and efficient operations

## **R**ELATIONSHIPS

Focus on employees, customers, regulators, community and environment

# BRANDS 1Q2015 Portfolio Expansion in Key Markets

Focused on occasions and portfolio opportunities in 1Q2015 via new package introductions, flavor extensions and international brands



## Turkey :

- ✓ Germany's famous 'Weißbier' brand 'Erdinger'
- ✓ Slim, Sleek & King Cans of Efes Pilsen



## Russia :

- ✓ Whiskey flavored beer 'Gold Mine Whiskey'
- ✓ 'Beliy Medved Baskirskoe'
- ✓ Beliy Medved Strong and Miller 1 It Cans



## Kazakhstan:

- ✓ Affordable European beer 'Steininger'
- ✓ New economy brand 'Almatau '
- ✓ Beliy Medved V Rozliv 1 It Bottle
- ✓ Karagandinskoye and Zhigulevskoye 1 It Cans

# Continued Actions in-line with Beer Group Strategy

## EXECUTION

- ✓ Efficient, capable and consumer facing operating model
- ✓ Sales force effectiveness
- ✓ Category management
- ✓ Geographical prioritizations
- ✓ Segmented portfolio approach
- ✓ Continued cooler placements to further increase cold availability

## EFFICIENCY

- ✓ Supply chain initiatives to maximize cash flow generation
- ✓ Cost reduction initiatives

## RELATIONSHIPS


- ✓ CRM projects
- ✓ Win with customers


# Commitment to Environment

 Compared to 2008, Beer Group consumed 22% less water per product in Breweries and 24% less water per product in Malteries

 The amount of water saved annually is equal to 1,320 olympic size swimming pools

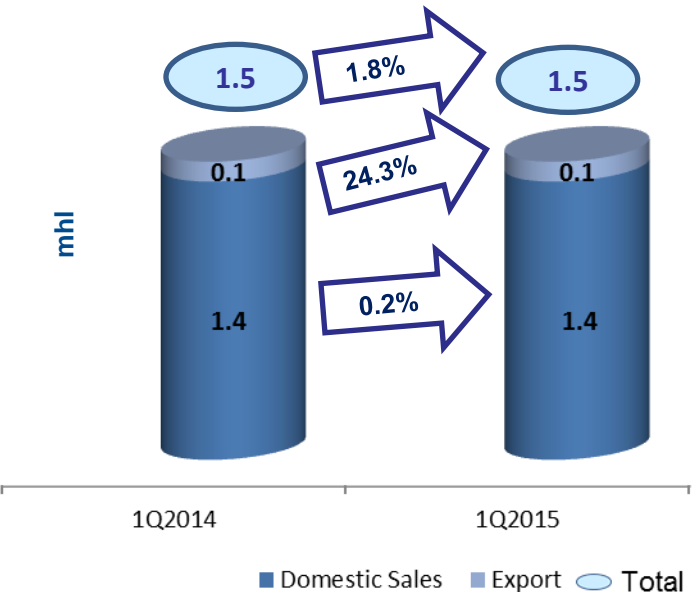
 Compared to 2008, Beer Group consumed 17% less energy per product in Breweries

 The amount of energy saved annually is equal to the yearly energy consumption of 63,000 households

 Compared to 2008 primary material consumption amount per unit product sold with one-way packaging was reduced by 10%

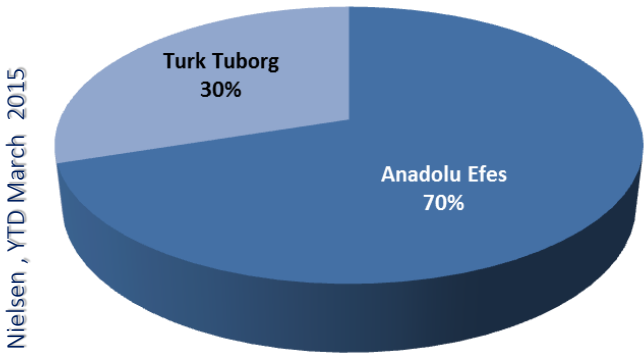
# Turkey Beer Operations

## Volume Development

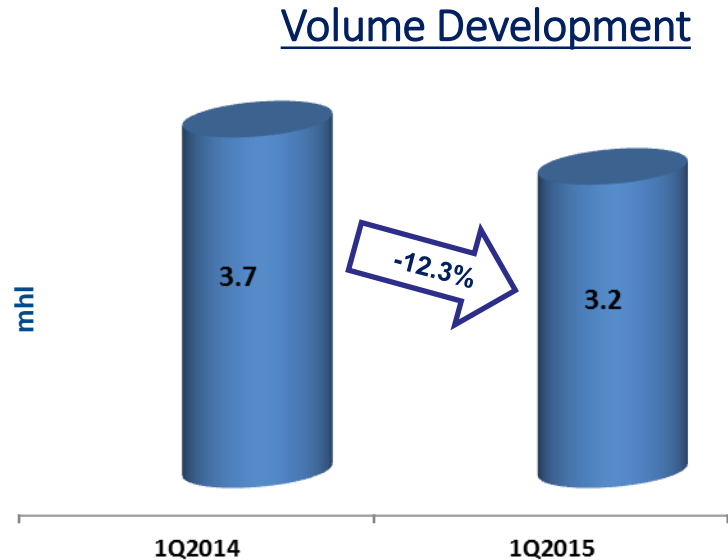


- ✓ Growth momentum maintained despite;
  - higher prices
  - adverse weather conditions impacting mostly on-trade channel
- ✓ Market growth is attributable to good performances in the malt, premium and high alcohol categories

## Market Share





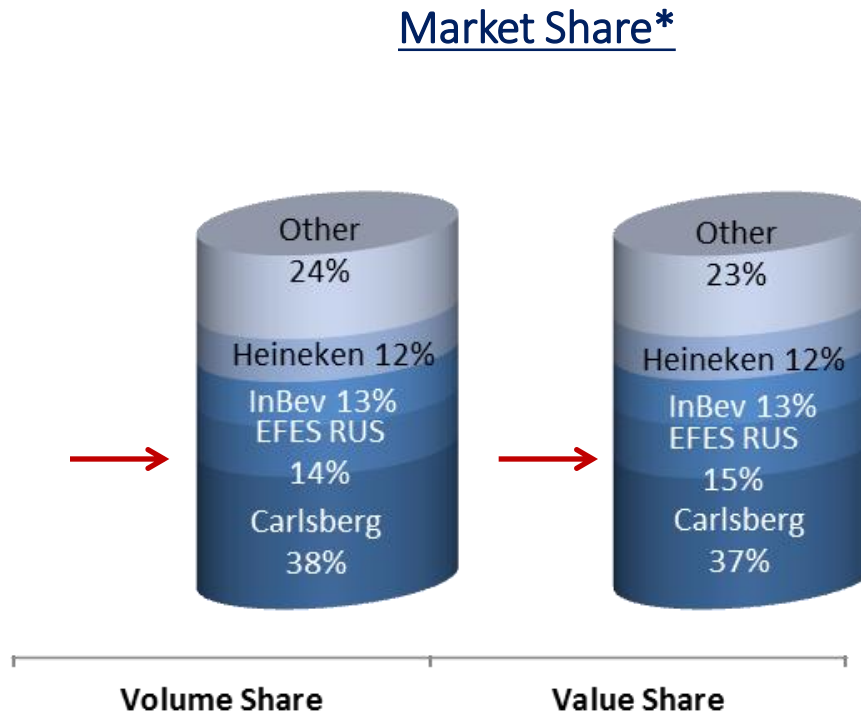


- ✓ Better than expected results in 1Q2015 despite cycling a high base of 1Q2014
- ✓ Soft consumer sentiment was a common trend in all international beer operations;
  - Volume decline in Efes Russia was limited to low single digits versus an estimated high single digit market decline
  - Ukraine performance was affected mainly by political issues
- ✓ Excluding Ukraine, EBI's consolidated volume decline was 1.8%

# Solidified Market Position in Russia

- ✓ Total beer market declined ca. 10% in Russia\* in 1Q2015 vs 1Q2014
- ✓ Market share of Efes Russia increased to 14.0 % in 1Q2015 vs 13.9% in 1Q2014

Shares of Carlsberg and INBEV include Ukrainian brands



\*Nielsen Urban Russia, Cities 10000+, Off-Trade, YTD Mar'15

# Financial Overview

*by Onur Çevikel*



	1Q2014	1Q2015	Change(%)
Total Sales Volume (mhl)	17.8	17.1	-4.0%
Net Sales (million TRL)	2,006.4	1,931.0	-3.8%
Gross Profit (million TRL)	814.2	788.8	-3.1%
Gross Profit margin (%)	40.6%	40.8%	27 bps
EBITDA BNRI (million TRL)	247.7	277.1	11.8%
EBITDA BNRI margin (%)	12.3%	14.3%	200 bps

<b>AEFES Free Cash Flow (million TRL)</b>	<b>1Q2014</b>	<b>1Q2015</b>
<b>EBITDA</b>	243.7	272.2
<b>Change in Working Capital</b>	(58.3)	(237.9)
<b>Income Taxes &amp; Employee Benefits Paid</b>	(38.5)	(34.8)
<b>CAPEX, net</b>	(202.7)	(275.4)
<b>Net Financial Income /(Expense)</b>	36.6	119.5
<b>Other investing activities (Acq., Disp., Min. Buy-Out and SC Increases)</b>	(55.8)	-
<b>FCF</b>	(19.2)	(156.5)
<b>FCF (excluding minority buy-out and other investing activities)</b>	(75.0)	(156.5)

# TURKEY BEER OPERATIONS

## Operational Snapshot – 1Q2015 Performance

	1Q2014	1Q2015	Change(%)
Total Sales Volume (mhl)	1.5	1.5	1.8%
Net Sales (million TRL)	306.3	339.8	10.9%
Gross Profit (million TRL)	191.4	211.4	10.4%
Gross Profit margin (%)	62.5%	62.2%	-28 bps
EBITDA (million TRL)	96.2	109.5	13.8%
EBITDA margin (%)	31.4%	32.2%	80 bps



# TURKEY BEER OPERATIONS

## Free Cash Flow

<b>Turkey Beer Free Cash Flow (million TRL)</b>	<b>1Q2014</b>	<b>1Q2015</b>
<b>EBITDA</b>	96.2	109.5
<b>Change in Working Capital</b>	41.3	(49.6)
<b>Income Taxes &amp; Employee Benefits Paid</b>	(7.0)	(6.5)
<b>CAPEX, net</b>	(44.5)	(30.6)
<b>Net Financial Income /(Expense)</b>	10.2	21.9
<b>Other investing activities (Acq., Disp., Min. Buy-Out and SC)</b>	-	-
<b>FCF</b>	96.3	44.8
<b>FCF (excluding minority buy-out and other investing activities)</b>	96.3	44.8

	1Q2014	1Q2015	Change(%)
Total Sales Volume (mhl)	3.7	3.2	-12.3%
Net Sales (million USD)	248.2	156.8	-36.8%
Gross Profit (million USD)	102.6	67.5	-34.2%
Gross Profit margin (%)	41.3%	43.0%	171 bps
EBITDA BNRI (million USD)	9.5	8.9	-6.7%
EBITDA BNRI margin (%)	3.8%	5.7%	183 bps

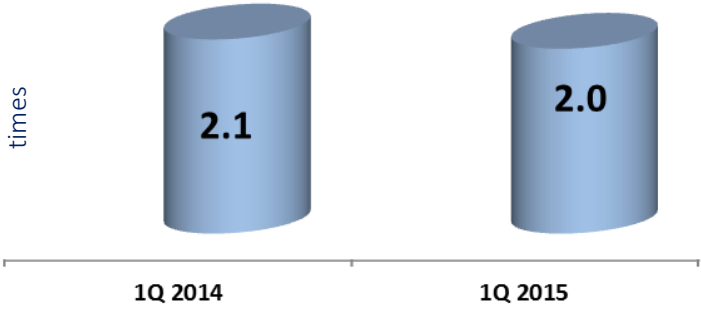
## Free Cash Flow

<b>EBI Free Cash Flow (million USD)</b>	<b>1Q2014</b>	<b>1Q2015</b>
EBITDA	7.7	6.9
Change in Working Capital	9.3	4.5
Income Taxes & Employee Benefits Paid	(2.3)	(3.8)
CAPEX, net	(10.3)	(8.8)
Net Financial Income /(Expense)	(3.7)	(2.7)
Other investing activities (Acq., Disp., Min. Buy-Out and SC Increases)	-	-
<b>FCF</b>	<b>0.7</b>	<b>(4.0)</b>
<b>FCF (excluding minority buy-out and other investing activities)</b>	<b>0.7</b>	<b>(4.0)</b>

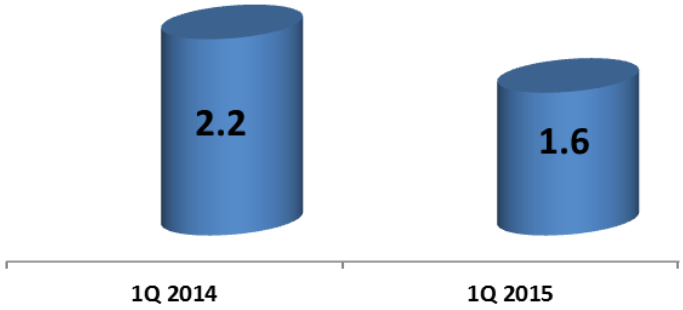
# Balance Sheet Flexibility

Net Leverage Ratio

## Anadolu Efes Consolidated



## Beer Group



		1Q2014	1Q2015
TOTAL FINANCIAL DEBT	<i>m TL</i>	4,743	5,046
TOTAL CASH & EQUIVALENTS	<i>m TL</i>	1,543	1,460
NET DEBT	<i>m TL</i>	3,200	3,587

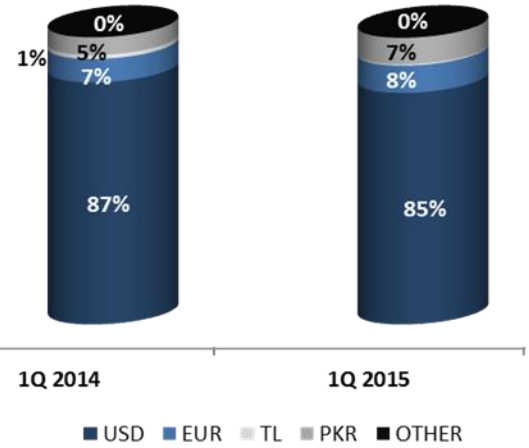
		1Q2014	1Q2015
TOTAL FINANCIAL DEBT	<i>m TL</i>	2,134	2,064
TOTAL CASH & EQUIVALENTS	<i>m TL</i>	770	855
NET DEBT	<i>m TL</i>	1,364	1,209

\* Numbers may not add up to 100% due to rounding

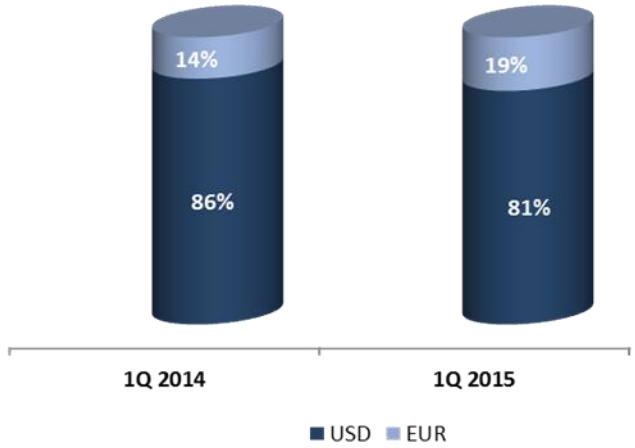
# Borrowing Mix & Balanced Amortization Schedule

Currency Breakdown

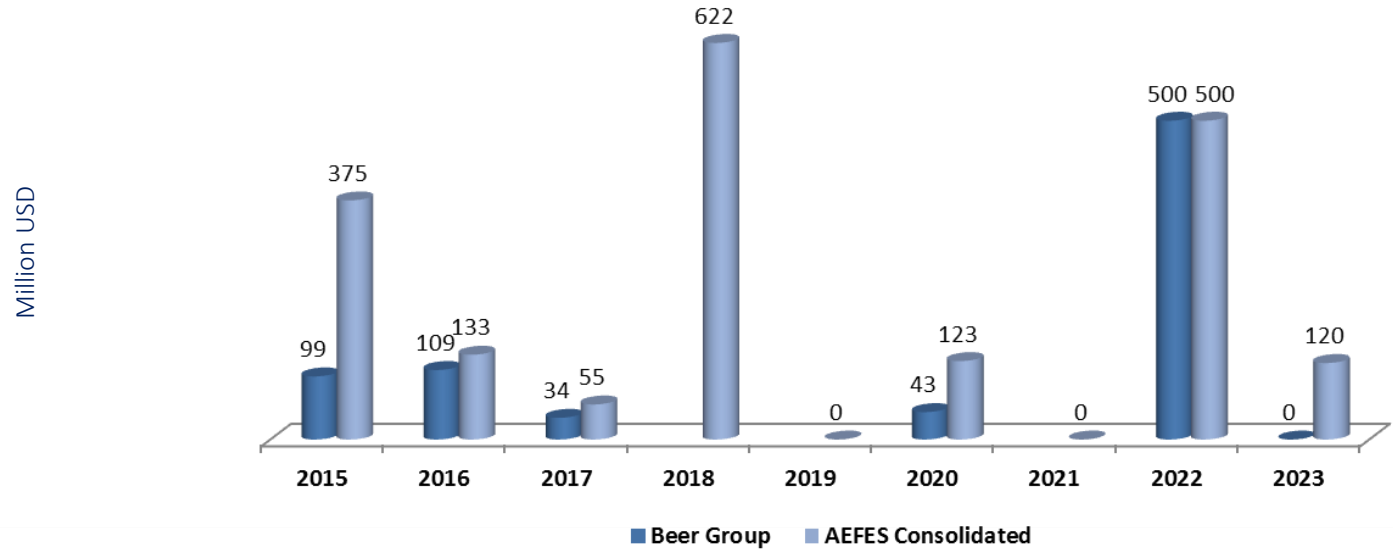
Anadolu Efes Consolidated



Beer Group



Maturity Schedule



\* Numbers may not add up to 100% due to rounding

## Financial Income / Expense

### Anadolu Efes Consolidated - Financial Income / (Expense) Breakdown (million TRL)

<b>Anadolu Efes Consolidated - Financial Income / (Expense) Breakdown (TRL m)</b>	<b>1Q2014</b>	<b>1Q2015</b>
Interest income	23.9	23.6
Interest expense	(53.1)	(55.0)
Foreign exchange gain	309.3	237.6
Foreign exchange loss	(424.8)	(592.7)
Other financial expenses (net)	(2.4)	(3.9)
<b>Net Financial Income /(Expense)</b>	<b>(146.9)</b>	<b>(390.4)</b>

- ✓ Non-cash FX losses due to borrowings was TRL 464 mn



## *Financial Priorities*

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- ✓ Tight balance sheet management
- ✓ Commitment to strong FCF generation
- ✓ Continued focus on reduction in costs & expenses
- ✓ Reduce volatility in P&L due to FX movements
- ✓ Optimized capital expenditure
- ✓ Deleveraging through strong FCF generation
- ✓ Continued commitment to Investment Grade Ratings

# Closing Remarks

*by Damian Gammell*



## Summary

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- ✓ Over-delivered targets in a challenging quarter and consolidated operating performance was better than expectations
- ✓ Growth in absolute EBITDA and its margin gives confidence that the implemented strategies are working
- ✓ Full year guidance is reiterated considering the continuing macro and geopolitical challenges in the operating geography
- ✓ Focus on efficiency and optimization, tight balance sheet management, value creation, excellence strategies in execution along with continued investments in brands

## BEER OPERATIONS

**Turkey Beer Market** → low-single digit growth

**Russian Beer Market** → a higher decline than that in 2014

**Efes Turkey Volume** → in line with the market

**Efes Russia Volume** → in line with the market

**Total Beer Volume** → mid-to-high single digit decline mainly driven by lower volumes in Russia and Ukraine

**Sales Revenues** → lower in absolute terms / revenue growth to outpace volume growth in Turkey beer segment

**EBITDA** → lower in absolute terms

**EBITDA margin** → improve / flattish margins in both Turkey and international beer segments

## ON A CONSOLIDATED BASIS

**Sales volumes** → low-to-mid single digit growth

Sales revenue growth > Volume growth

EBITDA (BNRI) growth in absolute terms > Sales revenue growth

**EBITDA (BNRI) margin** → expansion /higher margins in both beer and soft drink operations

## *Upcoming Events*

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**May:** Participation in HSBC's MENA & Turkey Business Leaders Equity Forum, Istanbul

Participation in JP Morgan Consumer & Retail Conference, London

**June:** Participation in Deutsche Bank Global Consumer Conference, Paris

Participation in Oyak Turkish Equities Conference, London

**July:** Release of 1H2015 Sales Volumes

**August:** Release of 1H2015 Financial Results & Webcast

# Q&A



Thank You

