

Anadolu Efes FY2025 Financial Results Conference Call

Participants

- Onur Alturk, Chief Executive Officer
- Yasemen Guven Cayirezmez, Chief Financial Officer
- R. Asli Kilic Demirel, Investor Relations & Risk Management Director

Asli Kilic Demirel

Good morning and good afternoon, ladies and gentlemen. Welcome to Anadolu Efes' Last Quarter 2025 Financial Results Conference Call and Webcast. I'm Asli Demirel. I'm the Investor Relations and Risk Management Director of Anadolu Efes. Our presenters today, our CEO, Mr.Onur Alturk; and our CFO, Ms.Yasemen Cayirezmez. The first part of today's call will be in listen-only mode. Afterwards, we will open the floor for a Q&A session.

You may submit your questions at any time using the question box on your screen. Unless explicitly stated otherwise, all financial information disclosed in this presentation are presented in accordance with TAS 29. Just to remind you, this conference call is being recorded and the link will be available online. Before we start, I would kindly request you to refer to our notes in our presentation regarding forward looking statements.

Now I'm leaving the ground to Mr.Onur Alturk, Anadolu Efes' CEO. Sir.

Onur Alturk

Good morning and good afternoon, everyone, and welcome to Anadolu Efes' FY2025 operational and financial results conference call. Before we begin, I am delighted to welcome our new CFO, Yasemen Çayirezmez, who is with us today for her first results call in her new role.

2025 was a year in which we delivered a mixed set of results, in a complex and evolving operating environment, but we continued our disciplined execution across our markets. On a proforma basis, we delivered consolidated volume growth of 7% in FY2025, and 5% in the last quarter of the year.

Beer Group recorded a flat volume performance on a proforma basis in FY2025, as softer domestic performance was offset by international operations. Supported by solid volume performance and timely pricing actions as well as tight discount control, we achieved a healthy topline at 244 bn TL in 2025. In the last quarter, our EBITDA performance was supported by gross profit improvement and a reduction in our OPEX margin, reflecting our continued focus on strict cost discipline. However, our EBITDA recorded a slight decline around 2% y-o-y on a proforma basis to 40,5 billion TL in 2025 with 17% margin. Our consolidated net loss was recorded around 3 bn TL in the last quarter. Despite stronger operating profitability in the quarter and lower financial expenses compared to last year, net income was negatively impacted by lower monetary gains and tax adjustments, which in the following section Yasemen will cover the impact in more details. Yet, we were able to deliver a strong net income of 9 bn TL for the full year. Free cash flow was negative both in the fourth quarter and in the full year. It was pressurized by weaker operational profitability, higher interest expense payments as a result of very high interest rates compared to previous year. Yet there was an improvement y-o-y thanks to prudent CAPEX spending and lower tax payments. Consequently, our consolidated Net Debt to EBITDA (BNRI) ratio stood at level of 1.4x as of December 31, 2025, still at a healthy level. Finally, I am pleased to announce our dividend proposal of 0.34 TL per share, which is a testament of our commitment to delivering value to our shareholders.

Looking more closely at our beer operations, diversification across markets was a key factor supporting

volume stability in 2025. In the fourth quarter, consolidated beer volumes reached 2.7 mhl, increasing by 0.6% year on year with the contribution of all operations with the exception of Georgia. For the full year, consolidated beer volumes were 13.0 mhl, broadly parallel to 2024 on a proforma basis. Türkiye beer volumes declined by 1.1%, while international beer volumes increased by 0.8%, highlighting the balancing effect of our geographic footprint. As shown in the volume breakdown of our beer group operations, in 2025 Türkiye remains our largest contributor, while our international markets, particularly continued to support overall volume performance.

Looking at our Türkiye beer operations, we delivered 1.4 mhl volume in the fourth quarter, up 0.4% versus last year. For the FY, volumes reached 6.2 million hectoliters, representing a 1.0% decline year on year, broadly in line with our expectations. High base impact following growth for several years, persistent inflationary environment and less supportive tourism season weighed on domestic volume performance. Despite these headwinds, we continued to invest our portfolio through diversification by launching our new premium brand Stella Artois. In a market where we clearly observe increasing premiumization, we believe Stella Artois is well positioned to meet evolving consumer needs and expectations. Additionally, in the second half of 2025 we started a distribution of rakı, in line with our ambition to strengthen our presence in the distilled spirits category. We are still in the process of buying Taris Uzum, which I believe, you will hear from us the developments in a near future.

Let me briefly touch on our International Beer Operations, where our volume performance was resilient throughout the year. Starting with Kazakhstan: We were pleased to see the market stabilization after a few years of contraction. Inline with market as a clear market leader we achieved to record a slight increase, supported by low-single-digit volume growth in last quarter of the year. This performance was supported by improved promotional activities as well as marketing campaigns, together with our continued focus on the KEG segment, while a solid contribution also came from our export business. 2025 was also a strong year in terms of portfolio diversification, supported by successful launches, including Kruzhka Svezhego 0.0 and Wukong Ju; addressing the changing preferences of consumers. Turning to Moldova: Despite cycling a very strong low-teens growth in 2024, FY volumes delivered low-to-mid-single-digits growth in 2025, which is supported by low-single digit volume growth in the fourth quarter.

Throughout the year affordability pressures remained a key challenge for the market, which is managed by our well-balanced brand portfolio, combined with targeted marketing campaigns and consumer activations. In Moldova, we also introduced one of Efes' most popular premium brands, Sary Melnik iz Bochanka to the market this year. Additionally, as part of our continuous efforts on premiumization, we also introduced the premium brand Spaten to the market. Finally, Georgia: volumes declined mid-to-high teens in the fourth quarter and mid-single digit for the full year, mainly reflecting the restructuring of our export operations. Some of our export operations are doing local production and paying royalty fees to our Georgia operation therefore, as previously communicated, although restructuring led to a lower volume, it does not have an impact on profitability. It is also worth to mention that this impact will continue to weigh on volumes in 2026. We continued to invest in KEG business in Georgia, where there is an ongoing expansion of the on-trade channel. The negative impact of restructuring was partially offset by our positive momentum in KEG segment as well as premium segment.

Regarding our soft drinks business, CCI delivered a solid performance in 2025. Consolidated volumes grew by 5% in the fourth quarter and increased by 8% for the full year. Central Asia was the key growth engine, with Uzbekistan and Kazakhstan leading the growth. In Türkiye, volumes declined by 1% as a result of a deliberate choice to optimize portfolio, since water category has relatively a lower value contribution. Excluding water, Türkiye delivered 3.8% year on year volume growth, confirming the underlying the strength of core categories. International operations' volumes grew by 13.5%. Solid growth performance was supported across markets, with Central Asia posting robust double digit growth. Pakistan volumes increased by 1.3%, while Kazakhstan, Uzbekistan and Iraq delivered robust growth of 15.5%, 33.7% and 12.0%, respectively.

Let me hand over to Yasemen to review the financials now.

Yasemen Guven Cayirezmez

Good morning and good afternoon, everyone. Let me start by reminding that all figures I refer to are on a pro forma basis, excluding Russian operations to ensure comparability with this year. Unless otherwise stated, financials are presented in accordance with TAS 29.

In the last quarter of 2025, revenue increased by 10.9% year-on-year to TRY11.1 billion, yielding full year revenue of TRY51 billion. On the other hand, gross profit declined by 4.6%, resulting in margin contraction of 680 basis points. This was a result of last year's low cost base related to very low hedge levels in aluminum costs in Turkey beer operations. Coming to EBITDA, EBITDA declined by 42.2% to TRY649 million in the quarter, corresponding to 537 basis point margin contraction. Decline in gross profitability was reflected in the EBITDA, and this was partially mitigated by strict OpEx control, particularly in the last quarter. As seen on the bridge, there has been no increase in OpEx in the last quarter, and there are even savings in OpEx in full year.

For full year 2025, Beer Group EBITDA reached to TRY7.3 billion with a margin of 13.4%, which is down 209 basis point year-on-year. On the cash flow side, Beer Group cash flow was TRY834 million in the fourth quarter of 2025, thanks to the improvements in working capital as well as low interest expense and taxes. In the full year, there was a year-on-year decline in free cash flow, mainly driven by softer beer operational profitability together with the higher interest payments. Yet, thanks to our efforts to improve working capital, there was improvement both on working capital and CapEx spending. Going forward, improving free cash flow generations remains our top priority going into 2026.

For analysis purpose, if you look at the numbers excluded in TAS 29 effects, underlying operational performance is materially stronger, both at consolidated and Beer Group levels. More specifically, on a TAS 29 excluded basis at Beer Group level, revenue would have been TRY52.6 billion compared to TRY54.3 billion under TAS 29. EBITDA would have been TRY10.3 billion compared to TRY7.3 billion as reported. Accordingly, EBITDA margin would have been 19.6% compared to 13.4% under TAS 29. With respect to debt and -- cash and debt management, as of end of 2025, consolidated net debt-to-EBITDA stood at 1.4x while excluding TAS 29 effects. This ratio improves to 1.2x. At the Beer Group level, net debt-to-EBITDA was reported at 4x while excluding TAS 29, it was 2.8x. From the balance sheet perspective, gross debt at Beer Group level stands at approximately USD0.9 billion with average maturity of 1.7 years, while 67% of gross debt is in hard currency. Our cash position is USD 0.2 billion with 34% held in hard currency and 24% in Eurozone currencies.

As regards to risk management, for 2026, we already hedged 47%, our aluminum exposure for Turkey and CIS at USD2,929. In Turkey, 57% of our FX exposure has been hedged at an USD exchange rate of TRY47 while total FX exposure of Beer Group represents approximately 19% of cost of goods sold plus operating expenditures.

Coming to the end of the presentation, I would like to underline that despite all the headwinds, we close 2025 with a stable top-line momentum as well as control costs and expense structure. For 2026, our priority is to restore positive free cash flow, maintain margin stability through disciplined cost control, and improve working capital for sure. Thank you.

Onur Alturk

Let me recap our strategic focus areas for 2026. We are fully focused on execution guided by our clear priorities. First, strengthening our brand's priority is at the core of our priorities. We plan to elevate brand quality, packaging, and executional excellence across both production and sales operations. In parallel,

we will continue our pricing discipline, supported by centralized revenue growth management and continuous product and channel mix optimization, focusing deeply on affordability. Second, we will continue to accelerate premiumization as a core growth driver. We will sharpen our portfolio to a higher value mix, scale value accretive packs, and deepen premium offerings across key channels. Third, we are committed to strengthening and diversify our organization through localization and expanding in spirits category. China and Uzbekistan are key engines of our agenda, with localization initiatives moving forward in line with plans. At the same time, we are building a scalable distilled alcohol business with a clear focus on expansion, best-in-class trade execution, and profitability. We will also ensure the effective integration of Raki business and lay the foundations for a sustainable long-term organization. Therefore, this will strengthen our revenue and support sustainable top-line growth. Our quality growth algorithm enables us to grow profit ahead of revenue and revenue ahead of industry growth, while financial discipline is at the heart of how we operate. We will sustain profitability through top-line growth and strict cost discipline. We will continue to apply zero-based spending mindset across trade spending, CapEx, and tight governance, and this will enable us to eliminate inefficiencies, simplify ways of working, and strengthen operational agility. We will strengthen our balance sheet by improving average core working capital across all operations in 2026. Lastly, the most important one is to generate positive cash flow consistently and sustainably. Cash generation is not just an outcome, it's a strategic priority that strengthens resilience and expands our ability to invest.

Looking into 2026, we anticipate a year that will remain volatile and complex. Again, persistent inflation, macroeconomic headwinds, and geopolitical tensions are likely to continue shaping the environment we operate in. Amid the challenging environment, we expect our consolidated volume to grow mid-single digits, with beer volumes to grow by low-single digits and soft drinks volumes grow to be mid-single digits. According to the inflationary accounting figures, our consolidated net sales revenue per hL is expected to grow low-single digits. Material costs are expected to remain high, while we will manage our revenue growth with a pricing discipline, which will tightly offset some of the impact. And we expect to deliver a flat EBITDA margin across our consolidated beer and soft drink businesses, where the pressure on gross profitability will be compensated by tight OpEx management.

According to without inflationary accounting figures, as a result of the revenue growth initiatives in both business lines, our consolidated net sales revenue per hl is expected to grow by mid-teens on a fixed neutral basis, where beer revenues per hl is expected to grow high-teens. The expected growth from soft drinks volume per unit case low to mid-teens, both on a fixed neutral basis. In profitability side, we expect to deliver a flat EBITDA margin across our consolidated beer and soft drink businesses. Our CapEx over sales ratio will be stable at normalized levels of high- single digits.

Thank you for your patience. Now we are ready to take the questions.

Asli Kilic Demirel

Thank you, Onur Bey. We have couple of questions on the floor. So let me start with reading the first one from Tore Fangmann from Bank of America. Could you please elaborate on how and when you can reach free cash flow break even and positive cash generation in the beer business? What are the exact stones, and can you already achieve that in 2026?

Onur Alturk

Also, thank you. Let me take this one. Actually, the last part of my presentation that is emphasizing our strategic key focus areas are kind of an answer to this question. Thank you for the question. But the simple answer is focusing on top-line and bottom-line at the same time. Our international operations had a good start to year, like in Kazakhstan, Moldova, and Georgia as well, which is lapping a softer base from last year. And also we have good launch plans and good marketing plans in Turkey for this year. But these are all about the top-lines.

And also, last I mentioned about China, Uzbekistan, Azerbaijan, and Belarus, which will help us to increase our top-line. But yet again, like the second half of last year and the first two months of this year, it's going to be a cost disciplined actions, tight OpEx management, ZBB actions, and of course timely pricing in Turkey and in other international operations. So it's going to be a combination of all these efforts. And the target, the sole target is being cash flow positive at the end of this year, excluding Russia.

Asli Kilic Demirel

Thank you very much, Onur Bey. Another question comes from Evren Gezer. Thank you for the presentation. Several questions from my side. Could you please explain the low base effect for costs from the hedges that affected margins year-on-year?

Yasemen Guven Cayirezmez

Let me start with the cash designation, which has an impact on Q4 2025. In Turkey, the Q4 2024 FX hedge impact was one-off cost advantage stemming from the use of a lower FX rate through cash designation. So we are no longer using cash designation in our accounting. Accordingly, we don't expect any gross margin dilution in our margins. So what are our expectations for 2026 on the gross margin level? Flatish level.

Asli Kilic Demirel

There was a question from Maxim regarding gross margin, but Yasemen already mentioned about gross margin. So this year's margin, this quarter's margin pressure year-on year is not expected to be seen in 2026. So that was one-off. So I think that answers your question. Another question comes from, again, Maxim. Where do you see Beer Group net leverage ratio at the end of 2026?

Yasemen Guven Cayirezmez

Our expectation for the leverage, I mean, net debt-to-EBITDA level is 2.8x for 2026. But of course, without TAS 29 numbers.

Asli Kilic Demirel

Can you please run over your CapEx guidance for beer operations in 2026? Do you expect Turkish beer operation to turn into positive free cash flow in 2026? From Hanzade.

Yasemen Guven Cayirezmez

Our aim for free cash flow to turn into positive at the end of the 2026. But in terms of the timing, we don't expect any free positive free cash flow until the fourth quarter of the year.

Asli Kilic Demirel

Another question is regarding the impact about the latest Middle Eastern issues crisis. What is going to be the impact on direct impact on our operations?

Yasemen Guven Cayirezmez

Actually, our Middle East exposure is very limited, so in terms of the volume and the revenue exposure, I can say that just 1% of our volume and revenue, respectively.

Asli Kilic Demirel

Onur Bey, do you have any comments on Middle East?

Onur Alturk

Actually, as mentioned, based on our preliminary assessment, our direct financial exposure in Middle East is very limited, as mentioned. Our beer exports in the region cover 11 countries, but they represent around 1% of our total volume and roughly 1% of total Beer Group revenue. I mean, within that footprint, the high-risk markers are Iran, Iraq, Lebanon, and Syria. In Iran specifically our exposure is asset-light as we operate through a licensing model with no owned assets, limited royalty income, and fully collateralized receivables, and also in Turkey geopolitical developments could potentially create some short-term volatility for sure, whether through logistic constraints, operational disruptions, or temporary demand fluctuations.

However, we already put mitigation measures in place, including close coordination with our partners, potential route adjustments, careful inventory management, and strict receivables control. I mean, overall while geopolitical uncertainty in the region remains elevated, our current assessment is that the financial impact on all of us should remain contained.

Asli Kilic Demirel

Onur Bey, another question comes from Melis. Can you comment on competitive landscape in Turkish beer markets, the consumer sentiment right now, and the market share involvement?

Onur Alturk

I mean, Turkish markets was resilient last year but after four consecutive years of growth, our beer volumes in Turkey declined slightly by 1% in 2025. One of the reasons was weak consumer demand as well, and the decline in consumer affordability was another reason. Especially, the pressure was mainly felt in the second half of the year. The inflation environment continue to weigh on consumer purchasing power. We also saw somewhat less supportive tourism season last year, softer on-trade demands, and of course a more competitive discounting environments. In response, we made a disciplined commercial approach and focused on protecting value rather than chasing for volume. And we try to keep our margins and we try to protect our profits last year.

And this year, again, it's going to be a competitive market environments. The year started soft in Turkish beer market again. It's going to be a tough year for us. And we will see, especially after Ramadan, after Bayram, we have high hopes for the season, summer season this year. Our market share, volume and value share is almost flat, it's stabilizing right now. In summer season, we should expect with the marketing campaigns, with the marketing plans, with the launch plans, we are expecting better volumes, but the start of the year is soft.

Asli Kilic Demirel

Thank you very much. I think there was a question regarding clarifying the free cash flow question. Let me read the question once again. In the beer business, you were expecting free cash flow positive by the end of 2026 in Q4, but free cash flow for the full year, '26 will be negative. Can you then reach a positive free cash flow in 2027?

I think that was a misunderstanding. Therefore, let's clarify. Yasemen.

Yasemen Guven Cayirezmez

Our target to reach the positive free cash flow by the end of 2026, on quarterly basis, we will not be able to see positive free cash flow until quarter four. I believe this clarified the question.

Asli Kilic Demirel

There was a question about dividend payment. Why did you increase your dividend payments compared to last year?

Yasemen Guven Cayirezmez

Actually, we are paying as a dividend, the dividend that we get through the CCI as a pass through. We don't pay any more cash from the beer business on top of that.

Asli Kilic Demirel

This seems to be actually covering all the questions. If we are missing any questions, we can always help through emails or calls. So if there are no more questions on the floor, we may end up the call. Thank you.