Anadolu Efes 9M2026 Financial Results Conference Call

Participants

- Onur Altürk, Chief Executive Officer
- Yasemen Güven Çayırezmez, Chief Financial Officer
- Aslı Kılıc Demirel, Investor Relations & Risk Management Director

Aslı Kılıç Demirel

Ladies and gentlemen, welcome to Anadolu Efes First Half 2026 Financial Results Conference Call and Webcast. I'm Asli Demirel, I'm together with our presenters today, our CEO, Mr. Onur Altürk; and our CFO, Ms. Yasemen Çayırezmez.

The first part of today's call will be in listen-only mode. Afterwards, we will open the floor for a Q&A session. 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 Altürk, Anadolu Efes' CEO. Sir?

Onur Altürk

Good morning and good afternoon everyone, and welcome to Anadolu Efes' 9M2026 results conference call.

At Anadolu Efes, while our international operations continued to build on their strong momentum and remained the key growth driver of the business, consumer demand in Türkiye remained weak across both beer and soft drinks. So, we faced a more challenging operating environment in 3Q which is typically the strongest season of the year. Even under these conditions, we achived to deliver a solid 7% volume growth, reaching 33 mhl on Anadolu Efes consolidated basis. This performance was mainly driven by our soft drink and international beer operations. Despite the solid volume growth, revenue per hectoliter came under pressure due to our affordability-focused approach in soft drink operations and relatively higher discounting levels in Türkiye beer operations. So, consolidated net revenue remained broadly flat reaching TL89 billion in the quarter. On the profitability side, weaker gross profitability remained the key headwind. Lower volumes and reduced operating leverage in Türkiye beer operations, together with ongoing cost inflation across both business lines, weighed on profitability. As a result, consolidated EBITDA declined to TL17 billion, while the profitability margin contracted by 361 basis points. In 3Q cash generation on the other hand, improved meaningfully in both of our business segments. Free cash flow reached TL16.5 billion on a consolidated basis, representing a 35% increase versus last year, supported by contributions from both business lines. This strong cash generation, together with our disciplined balance sheet management, allowed us to maintain a healthy Net Debt-to-EBITDA ratio of 0.9x.

As previously announced with the toll-filling agreement in 2Q, production in Uzbekistan officially started in September, marking another important step in strengthening our international footprint. Finally, with the peak summer season now behind us and greater visibility on full-year trends, we revised our FY2026 guidance to reflect the latest operating developments across our markets. I will provide more details on these revisions later in the presentation.

As I said, the Turkish beer business continued to operate under significant pressure during the third

quarter. Nevertheless, our international operations once again demonstrated their resilience and remained the key performance driver for the Beer Group. As a result, Beer Group volumes reached 3.7 million hectoliters in the third quarter, representing a decline of 5.6% year-on-year. While Türkiye volumes declined by 14%, international beer volumes increased by 2% year-on-year to 2.1 million hectoliters, delivering another quarter of growth. More importantly, excluding the impact of the export business restructuring in Georgia, international beer volumes grew by 6%. As consumer preferences continue to shift across markets, our broad brand portfolio allows us to participate in various price segments and consumption occasions, supporting both growth and market share development. At the same time, targeted commercial initiatives across our key markets continued to deliver tangible results. Overall, the continued momentum of our international operations once again helped partially offset the challenges in Türkiye and reinforced the importance of our geographically diversified business model.,

Let me now turn to our Türkiye beer operations, where the challenging operating environment that we have been discussing since the beginning of the year continued to persist and became even more pronounced during the 3Q. As we highlighted in previous quarters, the ongoing erosion in consumers' purchasing power has continued to limit discretionary spending and increase price sensitivity across the market. In addition, softer tourism activity and lower hotel occupancy rates added further pressure on the HoReCa channel during the quarter. Against this backdrop, our volumes declined by 14% year-on-year to 1.6 million hectoliters, significantly below our initial expectations. We saw some improvement in volume trends during July, which helped limit the overall decline for the quarter and provided an encouraging signal regarding consumer activity. Unfortunately, this improvement proved temporary. August marked the weakest monthly performance we have seen in more than a decade, followed by an exceptionally weak September, highlighting the persistent pressure on consumer demand.

Let me now provide some color on the performance of our international beer operations, which continued to be a key contributor to Beer Group performance and demonstrated resilience across our markets. In Kazakhstan, we delivered another solid quarter, recording mid-single-digit volume growth, marking our sixth consecutive quarter of expansion and reaching a record market share of 51.1% during the quarter. This performance once again allowed us to outperform the market and further strengthen our leadership position. We are particularly encouraged by the strong consumer response to our recent innovations Heyzee and limited-edition launches like Miller Lime. Their meaningful contribution to volume growth reinforces our confidence in the innovation-led growth strategy and demonstrates our ability to continuously evolve the portfolio in line with consumer preferences.

Combined with strong commercial execution and continued premiumization efforts, these initiatives supported both volume growth and further expansion of our premium segment, strengthening the quality of growth. In Georgia, volumes remained under pressure due to the export business restructuring as well as temporary logistical challenges affecting export operations. However, solid domestic demand helping to offset part of these headwinds. As a result, reported volumes declined by low-twenties, while excluding the restructuring impact, the volume decline was limited to low-single digits. During the quarter, we continued to advance our premiumization agenda through new packaging launches for Taati and Stella Artois, while further strengthening our position in the KEG segment. In Moldova, volume performance rebounded during the quarter and returned to growth. Our affordability-focused strategy continued to support volume performance, while we further strengthened our premium portfolio through the successful launch of Stary Melnik. The consumer response to the brand has been very encouraging, giving us confidence in its long-term potential. To build on this success, we launched Stary Melnik in Can packaging form in 3Q, which we believe will further support volume growth and strengthen the quality of our growth going forward.

Turning to our Soft Drinks business, our soft drinks business' diversified footprint once again proved its strength in the third quarter, with robust international growth more than offsetting the softer market conditions in Türkiye. Consolidated volumes increased by 8%, supported by 13% growth in our international operations. While consumer purchasing power pressures continued to weigh on demand in

Türkiye, resulting in a slight volume decline of around 1%, our revenue growth management and mix optimization initiatives continued to support performance across the portfolio. International operations growth was outstanding, building on an already strong base from last year. Pakistan and Uzbekistan remained the key growth drivers, delivering volume growth of 24% and 20%, respectively, while Kazakhstan maintained positive momentum and Iraq remained broadly stable.

With that overview of our operating performance, let me now hand over to Yasemen, who will take you through our financial results in more detail.

Yasemen Güven Çayırezmez

Thank you, Onur. Good morning and good afternoon, everyone. As Onur has already covered Anadolu Efes's consolidated financial performance, I will focus on providing further information about the Beer Group's financial results for the 3Q and 9M 2026.

Starting with revenue, Beer Group net sales declined by 5.1% y-o-y to TL 19.3 billion in 3Q2026. As in the previous quarter, our financial performance reflected varying dynamics between our Türkiye and international operations. While our international businesses continued to deliver solid growth, the significantly weaker volume performance in Türkiye remained the main factor weighing on our topline. In Türkiye, beer sales revenue declined by 14.5% to TL 10.7 billion, primarily reflecting the 14.3% contraction in sales volumes. Although the price increase implemented in July, together with a more favorable product mix with a shift to more premium products as well as lower sales of low-priced products, provided some support to rev/hl performance, these were not sufficient to compensate for the substantial decline in volumes.

Furthermore, we maintained a higher level of discounts to support consumer affordability in an increasingly challenging demand environment. This inevitably put additional pressure on net revenue generation, particularly during traditionally our most important quarter of the year. Turning to our international operations, revenue increased by a strong 10.4% y-o-y to TL 8.5 billion, once again demonstrating the resilience of our geographically diversified business. Kazakhstan remained the strongest contributor to this performance, supported by disciplined pricing, effective revenue growth management and continued premiumization. Revenue per hectoliter increased by approximately 20% in Turkish lira terms, also benefiting from the appreciation of the Kazakh tenge. Moldova also contributed positively to international revenue growth, while Georgia's performance continued to reflect the impact of the ongoing export business restructuring. As a result, Beer Group revenue for the first nine months reached TL 50.4 billion, representing a 6.2% decline y-o-y.

Moving to gross profitability, Beer Group gross profit declined by 10.8% to TL 9.0 billion in 3Q, with the gross margin contracting by approximately 298 bps to 46.7%. The primary reason of this contraction was our Türkiye operations. Significantly lower volumes resulted in reduced capacity utilization and a higher fixed cost impact per hectoliter, while ongoing input cost inflation added further pressure to unit costs. Our international operations continued to demonstrate relatively resilient gross profitability, particularly across the CIS markets. However, higher energy prices led to some gross margin dilution in EBI. Consequently, Beer Group gross profit for the first nine months amounted to TL 22.5 billion, with a gross margin of 44.6%.

Coming to EBITDA, Beer Group recorded TL 3.5 billion in EBITDA before non-recurring items in the third quarter, representing a 21.1% y-o-y decline. The EBITDA margin stood at 18.3%, corresponding to a contraction of approximately 370 bps. As discussed earlier, the main driver of this deterioration was the pressure on gross profitability, particularly in Türkiye, where the high volume contraction reduced our ability to absorb fixed costs.

On the operating expense side, we maintained our disciplined approach to expense management across

our operations. In fact, absolute operating expenses declined y-o-y in both Türkiye and our international businesses. However, despite these efforts, Beer Group operating expenses/net sales increased from 36.0% to 37.5%, primarily due to the weaker revenues.

In Türkiye, lower volumes and reduced operating leverage resulted in a significant increase in the operating expense margin, although we had quite sizeable expense control measures. Our international operations continued to deliver positive results from cost discipline and operational efficiency. In Kazakhstan in particular, lower selling and marketing expenses, together with reduced general and administrative expenses relative to revenue, supported an improvement in the operating expense to sales ratio. This performance helped partially offset the profitability pressure in Türkiye, although it was not sufficient to fully compensate. Consequently, Beer Group EBITDA in 9M amounted to TL 5.9 billion, with an EBITDA margin of 11.8%, representing a contraction of 361 bps compared to the same period last year.

Turning to free cash flow, we recorded a significant y-o-y improvement during 3Q, despite the pressure on operating profitability. Beer Group free cash flow amounted to TL -276 million, compared with negative TL 1.7 billion in 3Q2025. This improvement was primarily driven by more disciplined working capital management, lower interest payments and contained capital expenditure. These positive developments helped mitigate the impact of weaker EBITDA on cash generation and is a proof to our continued focus on protecting liquidity and maintaining financial discipline. For 9M2026, Beer Group free cash flow improved to TL -4.1 billion, compared with TL -7.1 billion a year ago. We remain committed to disciplined working capital management, prudent capital expenditure and operational efficiency despite the given the challenging operating environment in Türkiye.

Before moving to our balance sheet and risk management, let me briefly touch upon our financial performance excluding the impact of TAS 29. As a reminder, our statutory financial statements are prepared in accordance with TAS 29 inflation accounting standards. The figures excluding TAS 29 are presented solely for analytical purposes and provide an additional perspective on our financial performance.

Excluding the impact of inflation accounting, Beer Group sales revenue increased by 23.3% y-oy to TL 50.0 billion in the 9M2026. This growth was supported by the strong revenue performance of our international operations, disciplined pricing actions and the positive impact of currency movements, particularly in Kazakhstan. On the same basis, our gross profit margin stood at 50.3%, representing a contraction of 287 bps compared to the previous year. EBITDA margin, excluding TAS 29, was 18.0% for the 9M, corresponding to a contraction of 376 basis points y-o-y. This reflects the same primary operating dynamics discussed earlier, particularly the impact of weaker domestic volumes and lower operating leverage, partially mitigated by the strong contribution of our international operations.

Finally, Beer Group net income excluding the impact of TAS 29 amounted to TL 762 million for 9M, excluding the currency translation adjustment impact.

Turning to cash and debt management, as of September 30, 2026, Beer Group gross debt stood at approximately TL 45.7 billion, while cash and cash equivalents amounted to TL 11.2 billion, resulting in a net debt position of TL 34.4 billion. Looking at our leverage ratios, excluding the impact of TAS 29, Beer Group net debt to EBITDA increased to 3.3x, compared to 2.4x at the end of September last year. This increase was primarily driven by weaker operating profitability, particularly in Türkiye, rather than an increase in our absolute debt position which showed almost no change compared to last year. Including the impact of TAS 29, the Beer Group leverage ratio was reported at 5.1x. On the other hand, at the consolidated Anadolu Efes level, our net debt to EBITDA ratio improved to 0.9x, compared to 1.3x a year ago, excluding TAS 29. The ratio remained at 0.9x including the impact of inflation accounting. While the increase in Beer Group leverage reflects the challenging operating environment, our focus remains on improving cash generation, maintaining financial discipline and preserving a prudentand strong liquidity position.

Against the environment of ongoing cost inflation and volatile market conditions, we continue to prioritize visibility over our cost base. We now have 100% visibility for aluminum for 2026 and 38% for 2027. for FX exposure, 100% hedge rate is being sustained. We remain focused on optimizing our working capital position, controlling capital expenditures and improving our liquidity.

With that, let me hand over to Onur to walk you through our updated guidance.

Onur Altürk

Let me briefly touch on the updates to our outlook.

Starting with Beer Group, the key change reflects a weaker than anticipated performance in Türkiye during the third quarter. Given the challenging consumption environment and lower than expected volume performance, we have revised our Türkiye beer volume expectations downward and now anticipate a high-single-digit volume decline for the full year, which in turn led us to lower our Beer Group volume guidance from a low-single-digit decline to a mid-single-digit decline. Softer volume performance has limited the operating leverage benefits we had expected. Accordingly, we now expect EBITDA margin contraction of 250 basis points including IAS 29 effects, and 200 basis points on a pre-IAS 29 basis.

Turning to Soft Drinks operations, following the summer season, international operations have continued to outperform our initial expectations. While Türkiye's volume performance is expected to remain broadly flat, stronger than anticipated momentum across our international soft drinks operations is now expected to deliver low-teens volume growth. Supported by this performance, we have revised our consolidated soft drinks volume guidance to high-single-digit growth.

We also expect net revenue per unit case, including the impact of IAS 29, to decline by low-single digits in our soft drinks operations. Reflecting the softer NSR per unit case outlook in our soft drinks operations, we have revised Anadolu Efes' reported net revenue per hectoliter guidance to a low-single-digit decline.

I believe that concludes my part as well. Asli?

Aslı Kılıç Demirel

Thank you. We have a couple of questions on the floor. Let me start with Antonio's questions. Can you provide more color on volume decline in Q3? Was there an impact from product revamp or was it only weak consumption? Why was Turkiye consumption so weak? Was it domestic or tourism or both?

Onur Altürk

Thank you for the question. I think we have touched upon this subject during the presentation, but let me elaborate more on what has been said so far. Turkiye actually started the year in a more challenging environment than anticipated. The consumer demand remained significantly below our expectations throughout the first half especially. But despite this encouraging volume growth seen in June and July, the volume performance in Turkiye weakened significantly in August and September. Actually, we had high hopes for the summer season with June and July. We observed a year on year volume growth, but then this weak August and September was disappointing for us. And that resulted in double digit decline during the whole period.

The main drivers were the continued pressure on consumers purchasing power that we have been

emphasized so far, and definitely weaker than expected tourism season that should be highlighted as well, and both affected the total consumption. But on the other hand, if you look at the brighter side in the premium segments, brands such as Corona, Stella, Amsterdam continue to perform well and support our optimization strategy. Actually, these upper mainstream and premium segment was the only segment that was growing, especially in traditional trade channels. And since we have a very competitive portfolio on this part, I think we might have a chance on there.

But overall, while the market conditions remain challenging, I think we should remain focused on strengthening our portfolio, especially on the premium side, and executing our brands effectively. 100% perfect execution in the field and positioning the business to capitalize on an eventually recovery in consumer demand. I think that's what we can say for two reasons.

Aslı Kılıç Demirel

And there is one follow up regarding Turkiye. Does the weak first quarter Turkiye volumes mean you will have to resort to aggressive pricing actions in 4Q, to clear inventories?

Onur Altürk

Yes, we actually we already increased our prices for a part of our portfolio in October. That incremental price increase had been realized, uh, last month. For some brands, it wasn't applied across the board to whole portfolio because of the affordability concerns, but we already did.

And for the next year's price up now the team is working on again the portfolio and affordability and all other macros.

Aslı Kılıç Demirel

There is a question about refinancing and how you are looking to address refinancing. And there are a couple of similar questions regarding free cash flow generation. So what's your plan to return to positive free cash flow generation, or, uh, should we read the full year breakeven expectation for Beer Group free cash flow as no longer achievable? Yasemen?

Yasemen Güven Çayırezmez

Our ultimate objective remains to be at least at the breakeven point in the free cash flow generation for the Beer Group, and we continue to take all necessary actions to achieve that outcome.

As of September, we have delivered a meaningful improvement in the free cash flow, supported by the disciplined capital allocation, a lower CapEx as a percent of net revenue, and ongoing focus on working capital management, while macroeconomic and geopolitical developments, together with the software market conditions in Turkiye have continued to put pressure on cash flow generation. The measures we have implemented across the business have materially mitigated these headwinds and significantly improved our cash flow generation. Based on the current operating environment and our nine month, nine month performance, we may close the year with a negative free cash flow position, but not very far from breakeven. This would still represent a significant year on year improvement and reflects the effectiveness of the actions we have taken through the year.

Aslı Kılıç Demirel

Thank you. Two questions come from Eren Erciş.

Could you give us a sense of fixed versus variable cost split in Turkiye and international beer business? Roughly what share of cost of goods sold and opex is fixed And the 9M26 Beer Group EBITDA margin is already down about 3.5 percentage points year on year. The new full year guidance of 2.5 percentage points contraction, therefore, implies roughly margin improvement in the fourth quarter. What drives that improvement? Pricing, cost savings, opex savings or a lower base? How do Turkiye volumes trend in October? Are we seeing anything that supports this recovery?

Yasemen Güven Çayırezmez

Okay, let me start with the fixed cost, uh, weight of the fixed cost in the Cogs and OpEx in the Beer Group. Fixed cost accounts for the 51% of the Cogs and opex, but this ratio is close to 55% in Turkiye. While the share of fixed cost is the lowest in Kazakhstan. With the fixed cost and content of the fixed costs includes the personal depreciation and the commercial expenses have the highest portion.

Regarding the second question, as you know, the primary reason behind the margin pressure we experienced during the first nine months of the year was the weak sales volume performance of our Turkiye operations. While reducing our guidance, we took into account the improvement in October performance compared to August and September in Turkiye, which led us to reassess our fourth quarter expectations with a stronger October performance and relatively better performance in November and December we do not anticipate the same level of volume contraction in Turkiye for the fourth quarter, as we saw in the fourth quarter. As we saw in the first nine months of the year, at the same time, we continue to monitor consumer demand closely and aware of the demand instability. Even if November and December performance in Turkiye turnaround is broadly in line with the performance levels recorded during the first nine months considering our international operations, profitability contributing to a consolidated results are Beer Group EBITDA margin would be affected of around 40 basis points and, of course, a more resilient trading environment in Turkiye during the remainder of the year could help us to meet our revised guidance.

Aslı Kılıç Demirel

Thank you Yasemen. Onur Bey this question is for you. How have the volumes rated so far in 4Q for Turkiye and international? Actually, Turkiye is a bit more critical because international is still doing well in the fourth quarter.

Would you like to make any comments?

Onur Altürk

Well, thank you again. I mean, we have emphasized the Turkiye market situation a little bit, but in October still we are observing a decline in volumes, but not that deep as we experienced in the third quarter. So that might seem a little bit positive on this one, but still it's it's a decline. We don't see any any growth yet.

And the international markets, we see single digit growth or flattish volumes. But with our PRGM actions and portfolio and with the product and channel mixes, we can be leveraging our financials in a very positive way. On the Turkish markets. Again, we will expecting a declines for the remainder of the year in November and December. But it they might be not as deep as third quarter.

Aslı Kılıç Demirel

Thank you. We have already answered all the questions that are on the floor. If you would like to ask a

question, you can write them down. Otherwise we may conclude our presentation for today and maybe wait for 30 minutes if there are any questions.

Ehm, there is one from Anjali. And what's the plan for the bond refinancing? And what's the plan for the expected CCI dividend? Typically it's upstream to Anadolu Group. Will it be retained at the Anadolu Efes level.?

Maybe we can start with refinancing.

Yasemen Güven Çayırezmez

Regarding the refinancing, yes, we are planning to refinance our existing Eurobond. So we started to these studies and the preparations. Our plan is to tap into the market in 1Q2027.

Regarding the dividend. While our board makes dividend decision, they take into consideration not only distributable profit but also net debt to EBITDA and free cash flow generation. While we seek to balance all of these factors, reaching a healthy leverage profile and having a strong liquidity remain our primary focus. Therefore, any decision regarding dividend distributions will be assessed in line of these priorities. If needed we are prepared to take the necessary actions in line with these priorities.

Aslı Kılıç Demirel

Thank you. I think we answered Anjali's question as well.

And there is a question about Russia If there is any update on the status of Russia. And are there any ongoing discussions and developments regarding a potential recovery of the control?

Onur Altürk

Um, actually, there is no new news from Russia. We are still trying to get back the control of the business. But other than that, there is no flash news about Russian market.

Aslı Kılıç Demirel

There seems no more questions on the floor. So thank you everyone for joining.

Hope to meet you again with our fourth quarter results.