Anadolu Efes 1H2026 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' 1H2026 results conference call.

As we anticipated at the beginning of the year, the operating environment remained highly volatile throughout the second quarter particularly in the domestic market. Geopolitical developments in the Middle East, higher oil prices and persistent inflationary pressures continued to pressurize consumer sentiment across many of our markets. Despite these challenges, we once again showed the strength of our diversified business model. Our wide geographic footprint together with the solid contributions from both our beer and soft drinks businesses enabled us to deliver another resilient consolidated performance in the 2Q. On a consolidated basis, volumes increased by more than 7%, mainly supported by healthy momentum across our soft drinks business. Revenue growth of 2.8% reflected not only volume growth but also our continued pricing discipline, yet rev/hl was challeged by affordability issues. We also continued to benefit from improving gross profitability in soft drinks business while maintaining a disciplined approach to operating expenses Despite persistent inflationary pressures and higher distribution expenses driven by elevated fuel prices. As a result, we delivered another quarter of EBITDA margin expansion on a consolidated basis. Another encouraging development during the quarter was our cash generation. Both businesses delivered positive free cash flow, allowing us to further strengthen our balance sheet, with consolidated Net Debt/EBITDA improving to 1.2x.

Having said that, the first half also confirmed that the recovery in Türkiye beer has been slower than we originally anticipated. While demand trends improved during June and we have seen encouraging signs entering the summer season, the overall consumer environment remains more challenging than we expected at the beginning of the year. Reflecting this more cautious outlook, we have updated our FY2026 Beer Group guidance. We will get into details in the following slides. Now, let me walk you through the performance of our Beer Group in more detail.

As we discussed earlier, domestic beer continued to operate in a difficult consumer environment, while our international operations once again demonstrated their resilience and continued to contribute to Beer Group volumes positively. During the 2Q, our Beer Group volumes reached 3.8 mhl. While this represents an 8% decline y-o-y, it is important to highlight that the overall performance was largely driven by the softness in Türkiye. Looking at our international operations, volumes declined by 4.1% on a reported basis. However, excluding the impact of the export business restructuring in Georgia, our international beer business actually returned to growth, increasing by 1.2% in 2Q2026, with our CIS markets continuing to deliver resilient operational performance. Apart from the operational performance, we also made meaningful progress in executing our long term international expansion strategy. As a follow-up to our YTD achievements, we officially started licensed production in Azerbaijan, and also signed toll-filling agreements in both Uzbekistan and China. These partnerships represent important milestones in our asset light expansion strategy, enabling us to enter attractive markets with limited capital investment while increasing the availability of our brands to local consumers. Also in the UK, our cooperation with Sunrise continues successfully, further expanding the reach of our international portfolio. While these initiatives will not materially change our financial performance in the very near future, they represent important building blocks for the future and further diversify our international volume base.

Let me now turn to our Türkiye beer operations, where the operating environment remained challenging throughout most of the 2Q. As we discussed at the beginning of the year, affordability has been under pressure for some time due to sticky inflation in the country. Unfortunately, these pressures had impacted volumes much higher than we had initially anticipated, resulting in a slower recovery in demand during the first half. The weaker consumer environment was further amplified by unfavorable weather conditions, particularly during April and May, which continued to weigh on HORECA channel consumption and overall market volumes. As a result, our beer volumes in Turkiye declined by 12.5% during the quarter.

Having said that, I would like to highlight one important thing: We started to see some improvement in demand during June & July. While two months performance do not mean a trend change, it gives us some confidence that consumer activity is gradually normalizing as we move into the key summer months. During the quarter, we also successfully completed the acquisition of the majority stake in Tariş Üzüm. This transaction is another important milestone in our strategy of building a broader and more diversified alcoholic beverages portfolio in Türkiye. We also successfully completed the relaunch of the Efes Family. This is far more than a packaging change; it is a comprehensive renovation of our core brand, with improved taste, a more modern look, and enhanced execution standards across all consumer touchpoints. The relaunch is the result of extensive consumer research and nearly two years of preparation. While it is still early days, the initial consumer and customer feedback has been encouraging. Rather than relying on a single growth engine, we also continue to build a balanced portfolio that allows us to participate across different consumer occasions and price points where we adress each of the segments with variety of brands.

Let me now provide some additional color on the performance of our international beer operations, which once again showed resilience. Starting with Kazakhstan, we delivered another quarter of healthy growth, outperforming the market and marking our fourth consecutive quarter of volume expansion. This performance reflects the strength of our commercial execution, continued premiumization efforts and our ability to adapt quickly to changing consumer preferences. Recent product launches, together with our focus on premium brands and the KEG channel, continued to support both volume and value growth.

In Georgia, reported volumes remained affected by the export business restructuring that we discussed in previous quarters. However, excluding this temporary impact, the underlying business continued to perform very well, supported by healthy domestic demand and disciplined execution. Moldova also delivered another solid quarter despite a relatively strong comparison base. Our well-balanced portfolio and successful innovations introduced over the past year continued to support steady growth across different consumer segments.

Let me finally touch upon the performance of our soft drinks business, which continued to show solid momentum in this quarter as well. During the first half, CCI once again delivered healthy volume growth, supported by the continued strength of its international footprint. During the second quarter, consolidated volumes increased by 9.8%, reaching 519 million unit cases. This strong performance was primarily driven by Pakistan and Central Asia, once again highlighting the strength of CCI's international footprint. In Türkiye, volumes declined by 1.1% to 159 mu/c. While the sparkling beverage category remained under pressure, we were pleased to see the stills category continue to sustain its positive momentum.

Our international operations continued to perform strongly, with volumes increasing by 15.4%, building on an already strong comparison base from last year. Pakistan once again delivered an outstanding performance with 17% volume growth, while Uzbekistan remained one of our fastest-growing markets, expanding by 21.1% during the quarter. Kazakhstan also maintained its strong momentum, delivering 12.7% volume growth, supported by continued consumer demand and disciplined commercial execution. In Iraq, despite the ongoing geopolitical uncertainties in the region, we still managed to deliver 1.1% volume growth. Overall, we are pleased with the performance of our soft drinks business.

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

Yasemen Güven Çayırezmez

Thank you, Onur. Good morning and good afternoon everyone. As Onur covered Anadolu Efes's financials, I will briefly give you more insight to the Beer Group performance for the second quarter and first half.

In the second quarter, Beer Group sales revenue declined by 6.1% to TL 19.4 billion. Revenue performance was primarily impacted by weaker volume trends in our Türkiye beer operations, although this was partially offset by the resilience of our international operations. So, Turkiye beer operations recorded TL 11.0 billion revenue in the second quarter, which represents a 11% decrease mainly due to 12.5% volume decline in the period. While we observed a modest improvement in discount levels in the domestic market, this benefit was offset by an unfavorable product mix, as affordability pressures continued to shift consumer demand toward lower priced value segment offerings.

Turning to international operations, sales revenue increased by 1.8% y-o-y to TL 8.3 billion. Within the international portfolio, Kazakhstan was the strongest contributor, supported by timely pricing actions and continued premiumization. As a result, revenue per hectoliter in Kazakhstan expanded by a robust 14% y-o-y. Consequently, Beer Group revenue for the first half reached TL 30 billion, representing 6.9% y-o-y decline. Beer group gross profit declined 9.9% to TL 9.1 billion in the second quarter, with a margin contraction of 201 bps. While Türkiye operations' were mainly impacted by softer volumes, which resulted in a higher fixed-cost burden per hectoliter, we also saw some pressure due to higher labor and packaging costs. Moreover, Kazakhstan's gross profit was also under pressure mainly due to the very favorable cost base in last year.

Coming to EBITDA, Beer Group recorded a TL3.1 billion, where we we had a 15.9% EBITDA margin in the second quarter, which indicated a 476 bps contraction. Approximately half of this decline was attributable to gross margin erosion, as discussed earlier. As shown in the bridge analysis, the primary pressure point remained net revenue generation, largely driven by weaker volumes in domestically.

In Türkiye, the softer top-line performance negatively impacted gross profitability. At the same time, we saw the anticipated increase in selling and marketing expenses related to the Efes relaunch. These investments were deliberate and aimed at strengthening visibility and supporting the communication behind the relaunch.

On the other hand, our international operations continued to benefit from disciplined cost management. Selling and marketing expenses as well as general and administrative expenses declined as a percentage of net sales, primarily in Kazakhstan and Moldova. As a result, our CIS operations once again delivered strong profitability in the quarter, with EBITDA margins remaining above 30% across each of these markets. This solid performance helped partially offset the margin pressure experienced in Türkiye. Consequently, Beer Group EBITDA in first half was TL 2.3 billion, with an 7.7% margin.

Coming to FCF, in the second quarter of 2026, Beer Group generated free cash flow of TL3.8 billion. The y-o-y decline in free cash flow was primarily driven by lower operational profitability and a reduced contribution from working capital. This impact was partially offset by prudent capital expenditure management, as well as lower tax and interest payments during the quarter. Despite the current challenging operating environment, our commitment to cash flow generation remains unchanged. All of these resulted in a net debt to EBITDA ratio at 4.7x as of June 30, which would be at 3.3x in excluding TAS29 figures.

Before concluding, let me briefly touch on our financial performance excluding the impact of TAS 29. As a reminder, Anadolu Efes' statutory financial statements are prepared in accordance with TAS 29 inflation accounting standards. However, the financial information presented on this slide excludes the impact of TAS 29 and is provided solely for analytical purposes. Excluding the impact of TAS 29, Beer Group generated TL 30 billion in revenue in the first half, representing a growth of 24% y-o-y. As I highlighted earlier, this growth was primarily driven by our international operations. In addition, the appreciation of the Kazakh tenge against the Turkish lira in 2Q2026 compared to the same period last year provided further support, making revenue growth more visible in the non-TAS 29 figures. On the same basis, EBITDA increased by 2% y-o-y to TL 4.5 billion, corresponding to an EBITDA margin of 15.0%. Net income, excluding the CTA impact, amounted to TL 676 million.

Turning to cash and debt management, as of June 30, gross debt at the Beer Group level stood at approximately USD 1.0 billion, with 61% of total debt denominated in hard currency. At the consolidated Anadolu Efes level, gross debt amounted to approximately USD 2.3 billion, of which 59% was in hard currency. On the liquidity side, 36% of Beer Group cash balances and 32% of consolidated Anadolu Efes cash balances were held in hard currency. As a result, our net debt/EBITDA ratio stood at 4.7x for the Beer Group and 1.2x for Anadolu Efes on a consolidated basis. Turning to risk management, we further strengthened our commodity hedge position. For Türkiye and CIS operations, our aluminum hedge coverage increased to 88% for 2026, at an average price of USD 3,108 per ton. For 2027, we have already secured 27% coverage at an average price of USD 3,069 per ton. On the FX side, we maintain a strong hedge position, with 100% coverage at an average rate of 48.95 USD/TL. With that, let me hand over to Onur to walk you through our updated guidance.

Onur Altürk

Yasemen, thank you. Before we move on to Q&A, let me briefly talk about our revised outlook for the remainder of the year. As we mentioned earlier, the first half has been shaped by a more challenging operating environment than we had anticipated at the beginning of the year. While our international operations continued to perform strongly, consumer demand in Türkiye beer remained softer for longer, leading to a slower recovery than we had originally expected. As a result, we are updating our FY Beer Group guidance to reflect these dynamics.

We now expect Beer Group volumes to decline by low-single digits, compared to our previous expectation of low-single digit growth. This revision is entirely driven by our revised outlook for Türkiye beer, while our expectations for our international beer operations remain unchanged. Reflecting the lower volume outlook, we also now expect the Beer Group EBITDA margin to decline by around 150 basis points under TAS 29, or around 100 basis points on a without TAS 29 impact. Importantly, this revision is driven by lower operating leverage resulting from softer volumes rather than any deterioration in our pricing discipline, revenue management capabilities or product mix. Most importantly, despite the headwinds in our Türkiye beer business, we continue to expect Beer Group free cash flow to be at breakeven for the full year. At the consolidated Anadolu Efes level, we continue to expect mid-single digit volume growth and low-single digit revenue/hl growth under TAS 29. While we now expect EBITDA margin to decline slightly, the resilience of our soft drinks business and international beer operations continues to support our consolidated performance. Looking ahead, while we remain mindful of the macroeconomic and geopolitical uncertainties, we continue to focus on the factors within our control, investing behind our brands, maintaining pricing discipline, and preserving a strong balance sheet through financial discipline.

Now, we are ready to take your questions. Asli?

Aslı Kılıç Demirel

Thank you. There is one question on the floor. Let me read it. How are you working to return to positive free cash flow generation and refinancing the '28 bonds? What are the rating agencies' views on these results? Are you at risk of a rating downgrade?

Yasemen Güven Çayırezmez

Regarding the cash flow, since we couldn't get the full performance of the topline performance of our P&L, we focus on the balance sheet management, and accordingly, our focus on the working capital management, zero-based budgeting in terms of the OpEx, and also the full scope of our balance sheet, including the CapEx management.

So, in terms of the Eurobond, we've been working on the reissues of the revisions of the Eurobond, refinancing of the Eurobond. So, regarding the rating agencies, we have been meetings with the rating agencies in a frequent way. But of course, in terms of their reactions and their comments, we don't think it's the right approach to make a comment on behalf of them.

Aslı Kılıç Demirel

Thank you, Yasemen. There are a couple of questions from Evgeniia. Let me start with the demand part for domestic market demand part for Onur Bey, and then I'll go through the finance part for Yasemen.

What would be a catalyst for domestic market demand to improve?

Onur Altürk

The 15% volume decline we saw in the first half in Turkey was not something actually, as we expected or anticipated at the beginning of the year, as I mentioned during the presentation. As we discussed, consumer purchasing power deteriorated much more sharply than we had anticipated, and that is really the key factor behind the performance we are seeing today. Based on what we see today, we have revised our guidance to a low-single-digit volume decline for the full year. But having said that, given the uncertainties around the purchasing power, tourism season, and broader geopolitical environments, I would also highlight that there is still some downside risk on this one.

Looking at recent numbers, June and July combined delivered almost 4% year-on-year growth, and August has started positively. And I wouldn't call it a particularly strong start, but the momentum is encouraging. Overall, I have to be honest, this is a challenging year. I mean, we have a new Efes Family active launch that might be a catalyst for the rest of the year. The consumer environment remains tough. And our visibility is limited on this one. And we continue to monitor developments very closely. At the same time, we are staying focused on what we can control and on executing our plans as effectively as possible.

As we all know, our execution muscle is the strongest one in the field. And also, let me underline that we also saw some temporary pressures on our own volumes as we intentionally reduced our inventory levels in the trades ahead of this Efes Family uplift launch. This was deliberate decision to ensure a smoother and a healthier transition to the renewed Efes Family portfolio. So, to make it available in March and more points ofsale, we deliberately diminished our old stocks, let's say. So, there's an effect of this as well.

Aslı Kılıç Demirel

Onur Bey, there are more questions about the Turkish beer market. So, let's continue with them and then I'll go back to finance part for Yasemen to answer. How did the Turkish beer market perform in the second quarter? So, this is a question related to the market rather than our performance. And could you help us understand how much of the weakness was driven by the overall market versus company-specific factors such as portfolio mix, channel dynamics, or the relaunch?

Onur Altürk

Actually, the first part, I almost answered the first part. But Turkish beer market, after so many years, is now in a decline. We can say that. So, we justify these numbers from Nielsen and our market online data as well. So, beer market is not growing because of the obvious reason I have mentioned already. And in terms of portfolio mix, channel dynamics, or the relaunch, I mean, let me handle it this way. Our portfolio mix is improving, as we mentioned before. We have the best premium portfolio in the country, so we are trying to leverage it. And as we all know, we just relaunched Stella, and we are observing good improvements in this one. So, our portfolio mix is improving. In the channel dynamics, that's the problem. In the on-trade channel and HORECA channel, we see an obvious slowdown, as we all know. Traditional trade is also struggling on a channel based. And in the modern channel, we see some dynamics and dynamism, but again, it should be on the promo prices. So, all channels, in a nutshell, is struggling right now, but it is definitely resulting from the purchasing power, disposable income, and the macros that are obvious and the points that we already mentioned during the presentation.

Aslı Kılıç Demirel

Thank you very much. And now going back to the finance questions. What are your plans for the refinancing of '28 bonds? Do you consider coming to the bond market, or do you plan to tap into other sources of funding? Would you expect some shareholder support with regard to bond refinancing or more conservative approach to dividends?

And the second question is, '25 EBITDA margin was already under pressure at 13%, and now we are expecting a further 150 basis points contraction. What would you say if there is any room for margins? And what is the margin that you would expect in normal conditions?

Yasemen Güven Çayırezmez

We have applied to CMB for the limit. So, within that content, we started our preliminary studies internally.

So, in terms of the bond issues, yes, we are planning to reapply to the bond market. And within that content, by considering the existing cash flow position, yes, for the dividends, we've been considering what our approach would be. Most probably, it will be a conservative approach. And on top of that, our cash flow discipline and free cash flow focus will continue.

So, in terms of the EBITDA, on top of that, depending on the downside potential in the Turkish Beer operations, there could be 100 basis points further contraction in our EBITDA margins.

Aslı Kılıç Demirel

So, including the inflationary accounting, the guidance is 150 basis points contraction. Without the inflation accounting numbers, the contraction will be limited to 100 basis points. And last year's base for non-inflationary numbers for EBITDA margin was 19.6%. So, this corresponds to, if we consider the 100 basis points contraction, this will correspond to around 18.6% EBITDA margin. Because the inflationary accounting impacts the Turkish operations EBITDA margin much more than the international operations, it seems to be far lower than non-inflationary numbers. But the profitability margin is already at a conservative margin expectation. So, we are not expecting much deviation from this, for the full year.

For the time being, I don't see any more questions. So, let me remind that the floor is yours for writing down the questions.

I don't see any more questions on the floor, so thank you everyone for joining this call. See you at our 9M2026 results.

Onur Altürk

Thank you.

Yasemen Güven Çayırezmez

Thank you.