

# **Anadolu Efes FY2024 Results Conference Call**

## **Asli Kilic Demirel**

Ladies and gentlemen, welcome to Anadolu Efes Full Year 2024 Financial Results Conference Call and Webcast. My name is Asli Demirel, I'm the Investor Relations and Risk Management Director of Anadolu Efes. Our presenters today, Mr. Onur Alturk, the CEO; and Mr. Gokce Yanasmayan, the CFO. All participants will be in a listen-only mode during the first part of this call. Following this, there will be a Q&A session where you can submit your questions using the question box on the web screen. If you have questions, we kindly ask you to write them down before the Q&A session begins.

Unless explicitly stated otherwise, all financial information disclosed in this presentation are presented in accordance with the inflation accounting. 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.

## **Onur Alturk**

Good morning and good afternoon, everyone and welcome to Anadolu Efes full year 2024 operational and financial result conference call. For 2024, it has been a year of navigating a dynamic operational environment, while maintaining our resilience and focus on sustainable growth. And let me take you through some of the key highlights of our performance. So we delivered consolidated volume growth of 0.9% in full year '24 and strengthening our leadership position by leveraging brand strength and portfolio excellence. Through a well-balanced and diverse product mix, we have not only sustained but further strengthened our market's position.

Our strategic pricing efforts and cost efficiency measures contributed to solid gross profitability. While the operating environment remains challenging in '24, our ability to drive profitable growth has been a key highlight. However, the impact of our strong gross profitability was partially offset at the EBITDA level due to higher OpEx per hectoliter.

As of the end of '24, our consolidated net debt to EBITDA ratio remained below 1 times, in line with 2023. We successfully closed the year with a net debt to EBITDA ratio of 0.6 times within our targeted leverage range. Additionally, we once again achieved a net cash position in our Beer Group this quarter. Finally, I'm also pleased to announce our dividend proposal of TRY 1.27 per share, which is a testament of our commitment to delivering value to our shareholders.

Looking into the details of beer operations, 2024 has been another year of strong momentum in our beer operations actually, marking seven consecutive quarters of growth. Consolidated beer volume grew by 9.9% in the last quarter of the year and 8.4% in 2024, reflecting our consistent strong performance across all periods of this year. This solid momentum has been driven by our solid portfolio strength of course, while Türkiye beer volume increased by 2.3%, our international beer volume grew by 9.7%. Russia continued its strong performance and registered low-teens growth. On the other hand, CIS countries recorded a decline in total volumes by low single-digits, mainly impacted by softer volumes in Kazakhstan.

When we look at our Russian business and Russian beer operations delivered strong growth throughout 2024 with low-teens growth in both fourth quarter and the full year. I want to emphasize that this performance was achieved despite capacity constraints and a highly competitive environment driven by strong market demands. Our growth was driven by several key factors like increased consumer interest as more people return to their home countries, innovative new product offerings, rising household incomes, and shift from spirits to beer category.

Additionally, higher disposable income further increased demand for premium craft and mainstream beer choices, leading to profitable growth across all segments and categories except the value segments. We have successfully maintained our market leadership in both volume and value share. Stary Melnik Iz Bochonka continue to drive volume growth, further strengthening its position as the number one beer brand in Russia.

Moving on to Kazakhstan, as in previous quarters, volume declined in the fourth quarter as well. However, the decline was much more limited this time compared to earlier in the year. Kazakhstan's challenges during the year were mainly due to severe floods in the first half of the year and rising cost of living in the country, all of which put pressure on consumer demands. Additionally, the return of Russian citizens to their home countries also impacted the number of consumers. Despite these challenges, our performance outpaced the markets across all channels and our market share reached 48%. Furthermore, we introduced several new products including Bolshaya Praga CAN for modern trade, Sibirskiy Medved for KEG, and Praga Unfiltered KEG for Pegas and DIOT channels.

Moving on to Georgia, in 2024, Georgia's beer markets grew by low single-digits, supported by several key factors like economic expansion, increased tourism and major sport events, and all contributed to the market's overall growth. We reinforced our leadership by increasing our market share in Georgia as well. To strengthen our portfolio, we launched a selection of new products including Beck's, Taati Craft Line and Alpenbrau, providing a diverse range of consumer preferences. Additionally, our local brands Natakhtari and Karva delivered strong performance, further driving our growth in the markets.

Then we move to Moldova, where we had another strong year in '24. Moldova beer market grew by low-teens in 2024. We outpaced the market, delivering double-digit growth supported by favorable pricing environment and portfolio diversification. At Efes Moldova, we actually remained committed to investing in our brands as well with that strong focus on both core and premium segments.

Through strategic marketing campaigns, impactful brand activations and continuous product innovation, we strengthened our connection with our consumers. 2024 has been a year of growth and expansion with successful new product launches that further solidified our latest [ph] market leadership. These launches include Hopfenbrau Goldbier, Efes Blanche KEG and Radler Mango and our local champion, Chisinau brand remained Moldova's strongest brand.

Turning to our business in Turkiye in '24, Turkiye maintained strong momentum, delivering 2.3% growth in full year 2024, with total volume reaching more than 6 million hectoliters. While we faced a high base from last year and ongoing inflationary pressures in the markets, our highly diversified portfolio enabled us to effectively navigate these challenges and address all consumer segments. One of our most exciting initiatives this year was expanding our business into spirits and launch of Efes Haus, our Craft Line in December. To meet the growing interest in the craft beer and make the already popular craft beers more accessible to our consumers, we introduced Efes Haus brands with four extensions including Neipa, Rye Ipa and Weizenbock variance.

Let us briefly provide some color on soft drinks operations as well. In 2024, our soft drinks business faced a challenging operating environment. While consolidated volume grew by 7.3% in the last quarter, it declined by 2.2% in the full year picture. In Turkiye, volumes increased slightly by 0.1% in full year 2024, despite the persistent inflationary environments and ongoing geopolitical challenges. However, thanks to successful execution of marketing plans, timely consumer activations and effective pricing strategies, performance improved in the last quarter compared to the beginning of the year.

International volume declined by 3.6% in 2024 with mixed performance across key markets, while Iraq and Azerbaijan maintained strong momentum; Pakistan saw 14.2% decline, largely due to macroeconomic headwinds impacting consumer demands. Uzbekistan experienced a 3.8% decline as the markets cycled the high base from previous year and faced weakening purchasing power.

And finally, let's move on to our financial results. We delivered a flat top line performance in Anadolu Efes in the last quarter. There was an increase in Beer Group top line, yet soft drinks operations saw a decline primarily due to local currency price increases in major international markets lagging behind inflation index rates. Strong volume performance combined with economies of scale led to robust gross profitability. Benefiting from moderate increases in marketing expenses, strong gross profitability translated to solid EBITDA performance. However, net income was impacted by higher deferred tax expenses and lower monetary gains compared to the previous year.

On the cash flow side, higher CapEx in CCI and increased interest expenses along with monetary losses, led to a decline in free cash flow. Despite this, our consolidated net debt to EBITDA remained at a healthy level of 0.6 times.

Now, our CFO, Gokce will take you through the financial metrics in more detail.

## **Gokce Yanasmayan**

Good morning, good afternoon, everyone, participating in our conference call. Onur summarized Anadolu Efes' consolidated results. So I want to talk about the Beer Group results in more depth.

In the fourth quarter, the Beer Group sales revenue grew by 12.3% to reach TRY 17.9 billion. International beer operations produced TRY 12.8 billion sales revenue, which indicates a 13.5% increase and this was primarily driven by Russia's and Georgia's performance. In the meantime, Turkiye beer operations as well generated TRY 5.1 billion, which shows a growth of 8.8%. With the implementation of effective pricing strategies, net revenue per hectoliter continued to rise. Consequently, Beer Group's revenue increased by more than 10% to TRY 92.8 billion in full year '24 financials.

Again in the fourth quarter, Beer Group's gross profit increased by 35.1% to TRY 8.4 billion with a 794 bps expansion in the gross margin to reach 47%. This margin expansion was supported both by Turkiye and international beer operations, thanks to solid top line growth. Therefore, the Beer Group's full year 2024 gross profit was recorded at TRY 42.3 billion with a margin expansion of 107 bps reaching to 45.9% gross profit margin.

In the next slides, in fourth quarter again Beer Group's EBITDA increased by 37.1% to TRY 2.2 billion; EBITDA margin was 12.3% with an expansion of 223 bps versus last year and again this expansion was basically a reflection of strong top line growth coupled with operating expenses growing less than the sales revenue almost across all operating countries. As a result, the Beer Group's full-year 2024 EBITDA was reported at TRY 14.2 billion with a margin of 15.4%.

Net loss in the fourth quarter was primarily driven by significantly declining monetary gains in this quarter and the Beer Group generated a cash flow -- positive cash flow of TRY 6.1 billion, indicating a decline of 14.5%, primarily this was because of lower operational profits and a negative impact coming from working capital while there was a decline in the CapEx to net sales ratio. However, as of the year end, the Beer Group achieved a net cash position of TRY 1.5 billion.

Here, again, with the disclaimer. First Anadolu Efes financial statements are prepared in accordance with TAS 29, the standard for financial reporting in hyperinflationary economies, as a result of the financial information disclosed on this call and in our earning release are in full conformity with TAS 29. However, this slide is presented only for analysis purposes and the figures that you see here are not aligned with our financials and have not undergone an independent audit. Having said this, excluding the impact of TAS 29, Beer Group revenue was TRY 90.2 billion with a growth of 63% and again excluding the impact of TAS 29, EBITDA increased by 42% to TRY 16.5 billion and Beer Group net income was reported as TRY 6.1 billion for the full year financials.

And cash and debt management as of December 31, 2024, we had 61% of our cash in hard currency in Beer Group and 57% of cash in hard currency, again, overall Anadolu Efes and net debt ratio for Anadolu Efes was 0.6 times and we kept having a negative number for the Beer Group, as we were in net cash position.

And about risk management key figures. Basically, we have hedged 59% of 2025 exposures of Turkiye and CIS for the aluminum. And regarding the FX, our coverage for Turkish lira is around 40% at the moment but we keep hedging this and intend to reach 100% very soon.

## Q&A Session

### Asli Kilic Demirel

There are couple of questions regarding Russia, but let me ask a more general question. What is the current situation in Russia?

### Onur Alturk

There are a few questions about Russia. So let's try to summarize what's the situation right in Russia. And just to remember, on the last day of last year, Decree No. 301 was published on website, stating that the operations of the AB InBev Efes JV company in Russia have been transferred to the temporary external management of GK Vmeste, a Russian company.

Following the Decree, we quickly made the public announcements and actually since then, there have been no significant updates beyond what was stated in our official announcements. Therefore, we are actually unable to provide further comments beyond what has already been disclosed. However, what we can say is that all parties involved in this process are working together towards achieving a greater clarity on the situation going forward.

And also there are a few questions again, called the consolidation or deconsolidation of Russia from our financials. I mean, the following developments let me say that the Group's management determined that as of December 31, '24, control over the mentioned operations was effectively held by the group under TFRS 10 and accordingly, the relevant subsidiaries, continue to be consolidated in the financial statements as of December 31, '24.

Furthermore, maybe to give a brief, let's say, outlook about '25, the financial reporting implications of the situation are being monitored right now and from the period beginning January 1, '25, different assessments may be made if the current conditions persist. So this is a brief summary about Russian business.

### Asli Kilic Demirel

There are some questions about the balance sheet and free cash flow side of the business. So this question to Gokce, what has happened to the cash and what is the cash level at Russia and what is the share of Russia in total EBITDA?

### Gokce Yanasmayan

So let me try to speak to our recent published reports in our capital market required reports. So there the total share of Russia within The Anadolu Efes assets are 21% and net revenue 22%. And this number would be for the Beer Group, 54% for both.

### Asli Kilic Demirel

Could you please provide any color what's your expectations for Turkey sales growth and margins?

## **Onur Alturk**

This has been a challenging year for Turkiye, but still we kept our momentum in '24. As I mentioned in the presentation. The start of the year, we had a good start there in '25, but still since we increased our prices at the beginning of this year, in February, a small slowdown that we observed. But personally, I'm expecting great momentum after Ramadan during the Bayram period to the busy summer vacation periods, I think the Europe momentum will come.

## **Asli Kilic Demirel**

What steps are being taken to address cashflow management?

## **Onur Alturk**

Cash flow pressure. So let's actually give another summary about this one. Actually, our company focused on strategic initiatives, aimed at expanding into new markets. So this is '25 growth mindset, let me summarize in this one. So we will try to enhance operational efficiency and optimizing resource allocation, of course, to prevent the pressures on our free cash flow. Sustainable value creation, of course, will remain a core priority and we are committed to reaching new consumer segments, investing high growth potential products like spirit business in '24.

But meanwhile, since these are the midterm initiatives, so we have tightened our zero-based budgeting process enforcing a freeze-and-release strategy for our OpEx and CapEx spending. And also we are tightening pre-approval policies for discretionary expenses to ensure cost efficiency in our operations in all of our operations, let's say. And to improve liquidity, we are prioritizing cash flow enhancements in the Beer group, of course, excluding Russia right now by increasing fund inflows from international operations which will help reduce financing costs in Turkiye.

And additionally, contingency and scenario planning is underway across all geographies right now. The aim is strengthening our cash flow generation through top line growth and stricter expenditure controls. Also PRGM initiatives will be very important for '25 and pricing will be important to support our top line growth. And all of these with proactive measures, our company aims to mitigate financial risks, of course, enhance operation resilience and support our sustainable business performance in the face of this uncertainty. So this is to the brief summary.

## **Asli Kilic Demirel**

How much are you expecting to spend in capital expenditures in Beer Group excluding Russia in 2025? What's the proportion of this maintenance and discretionary CapEx?

## **Gokce Yanasmayan**

Well, I think Beer Group excluding Russia is high single-digit, close to I can say and most of it is comes from maintenance, slight portion of that this year is around certain capacity related CapEx we have.

## **Asli Kilic Demirel**

What is the current situation in Ukraine volume-wise?

## **Onur Alturk**

Let's give a brief update about Ukraine then. Despite an initial industry slowdown, actually Ukraine's volume growth has outpaced the markets. While cautions remain regarding operations in Ukraine, the overall results are promising. The primary aim of, let's say, primary aim for Ukraine is to be self-sufficient covering its day-to-day costs through its generated revenue without the need for additional investment. So this is the aim for our business in Ukraine and consumer demand has continued to show stability and contributing to a gradual improvements in performance supported by low comparison base. Let's say in '24, the company succeeded in becoming the fastest-growing player in the market. So I think that concludes and that summarizes our Ukrainian business.

## **Asli Kilic Demirel**

In '24, was Russian EBITDA margin higher than the Beer Group average?

## **Gokce Yanasmayan**

No, actually Russia is lower than the Beer Group average.

## **Asli Kilic Demirel**

There is a confirmation message. Can you confirm that Russia makes up 22% of consolidated revenues and 54% of Beer Group revenues?

## **Gokce Yanasmayan**

I can confirm that.

## **Asli Kilic Demirel**

How much cash is held in Netherlands? What's the minimum level would you like to have there?

## **Gokce Yanasmayan**

Well, around TRY 50 million, slightly more than that I think we have currently in Netherlands and this is a level that we feel comfortable.

## **Asli Kilic Demirel**

There seems no more questions actually. So if there are none, I think we can conclude our year-end financial results conference call.