

# ANADOLU EFES - FY2014 Results Conference Call Presentation

Damian Gammell - CEO

Onur Çevikel - CFO



March 6, 2015

## *Forward-Looking Statements*

---

This presentation may contain certain forward-looking statements concerning our future performance and should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

# General Overview & Operating Performance

*by Damian Gammell*

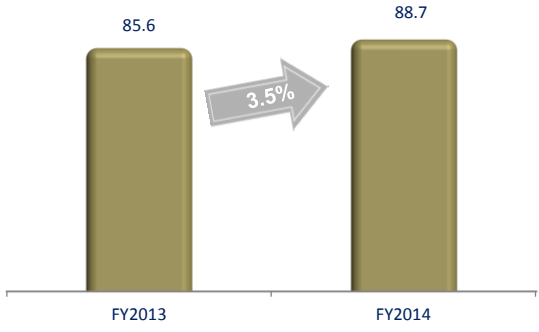
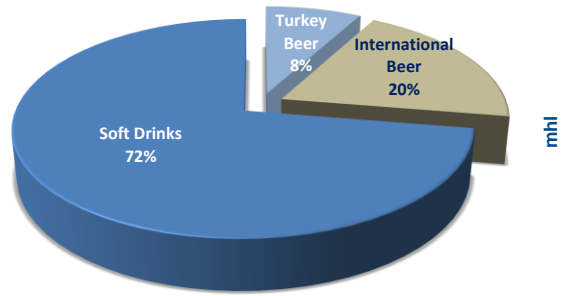


2014 targets were over achieved by capitalizing on our strengths from;

- Portfolio & geographical diversification
- Successful brand strategy & innovation
- Synergies with strategic alliances
- Tangible actions on cost & expense management

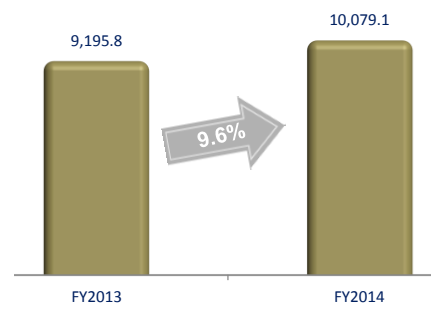
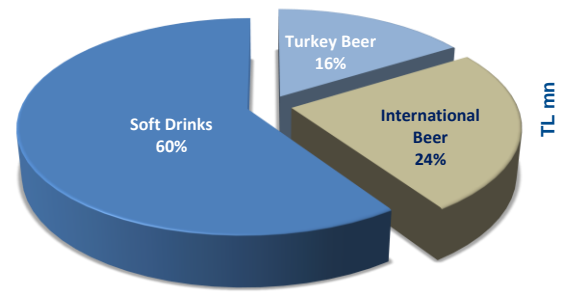
# Consolidated Performance – FY2014

Volume\*



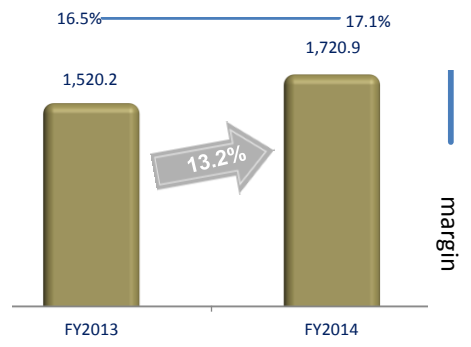
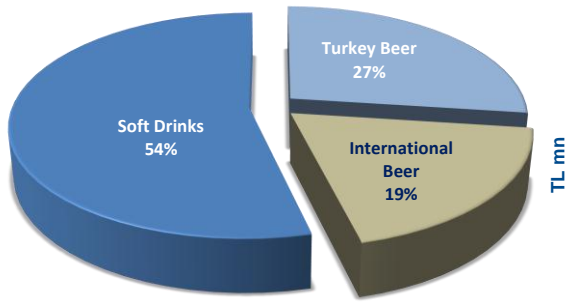
Consolidated sales volume (including beer & soft drink volumes) was 88.7mhl in FY2014, up 3.5% vs FY2013

Revenue\*



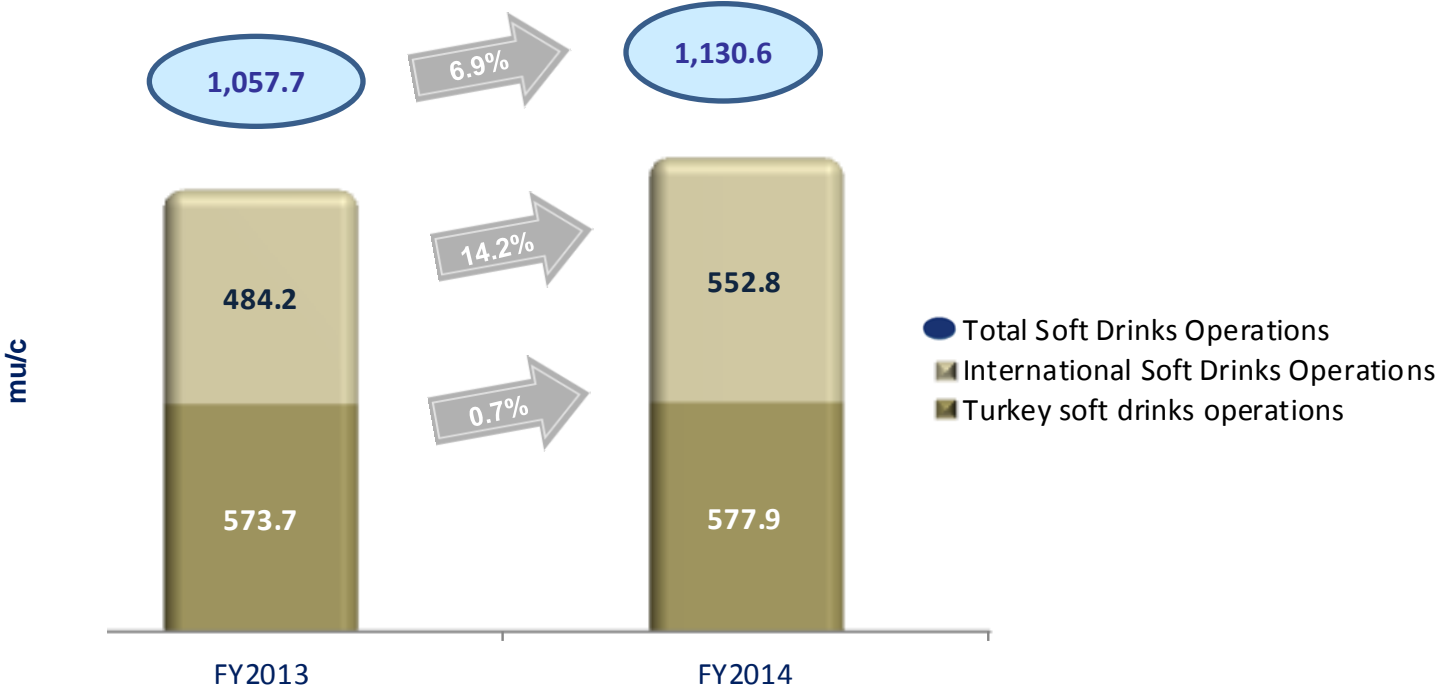
Consolidated net sales revenue reached TRL10,079.1 million in FY2014; 9.6% higher compared to FY2013

EBITDA (BNRI\*\*)\*



Consolidated EBITDA (BNRI\*\*) increased by 13.2% y-o-y to TRL1,720.9 million in FY2014

# Soft Drinks Volume Development



➤ Total volumes up by 6.9%, driven by double digit growth in international operations

# Soft Drinks Strategy

**1** Accelerate Revenue and Margin Growth



**2** Grow Sparkling Category and Per Caps



**3** Selectively Expand Profitable Still Portfolio



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



**5** Build a World Class Organization

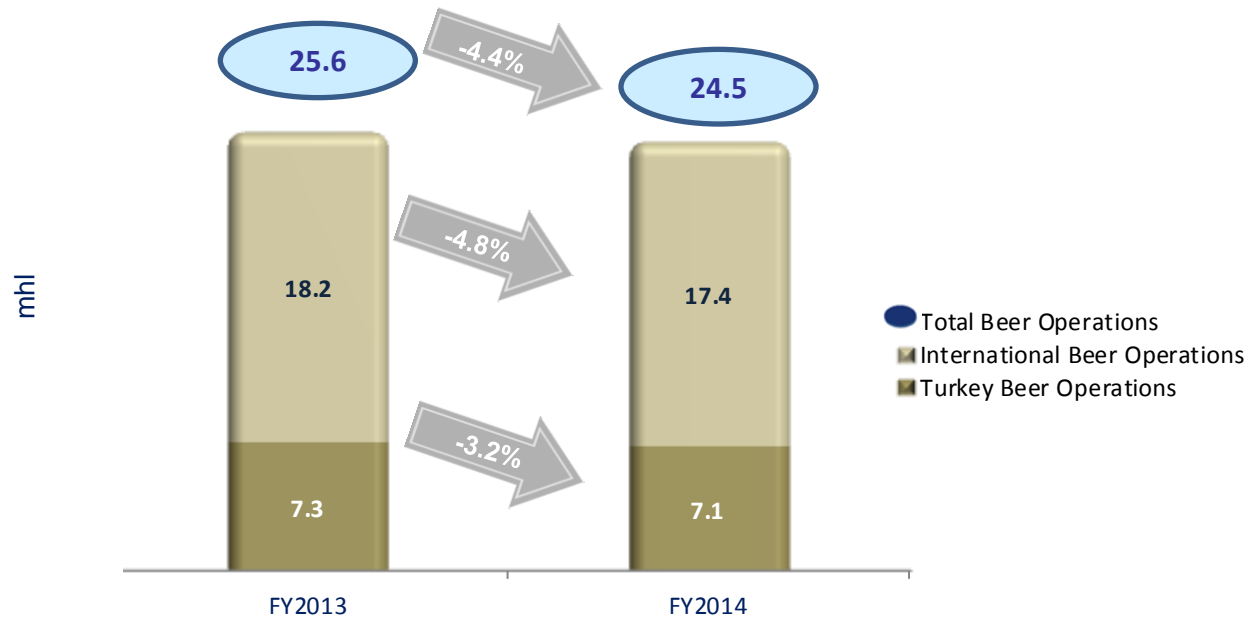


• Winning At The Point of Sales

• Sales Force Effectiveness - SFE

• Revenue Growth Management - OBPPC

# Beer Volume Development



➤ Our beer markets were under pressure in FY2014 due to;

- tax increases & regulatory changes in Turkey
- macroeconomic challenges & previous year's regulatory changes in Russia
- several economic, political or industry specific reasons in other international beer operations



## **B**RANDS

Provide choice and innovation to consumers:  
Grow brand love

## **E**XECUTION

Excel in customer collaboration, availability and point of sale activation

## **E**FFICIENCY

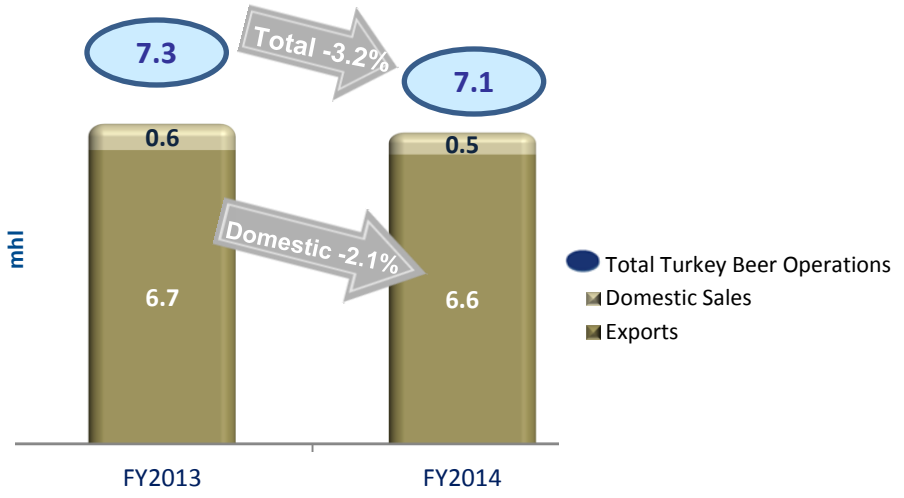
Build competitive advantage through lean and efficient operations

## **R**ELATIONS

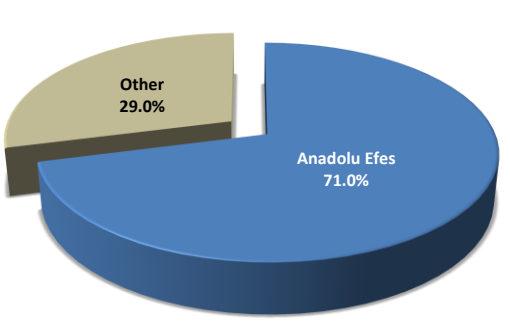
Focus on employees, customers, regulators, community and environment

# Turkey Beer Operations

## Volume Development



## Market Share



Nielsen, YTD December 2014

- The growth trend started in 3Q2014 continued in the last quarter of 2014 as well
- Domestic volumes grew 11.8% y-o-y to 1.5mhl in 4Q2014
- Total sales volume was reported at 7.1mhl in FY2014 vs. 7.3mhl in FY2013
- We were able to beat our expectations since the beginning of the year

## BRANDS

- Focus on Brands in line with long-term strategy
- Drive innovation and premiumization
  - New brand launches include: **Kozel, Amsterdam Navigator, Grolsch, Sam Adams**
  - New SKU launches include: **Efes Xtra Shot (237 ml), Efes Mini Malt (250 ml), Bomonti & Efes Malt Returnable Bottles**

## EXECUTION

- Creative & innovative executions to maximize in-store excellence
- Focus on field execution
- Outlet activation

## EFFICIENCY

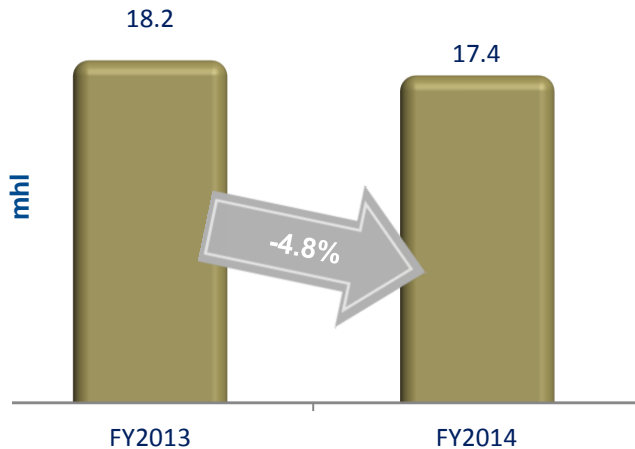
- Cost Reduction Initiatives
- Network Optimisation
- Supply chain initiatives to maximize cash flow generation

## RELATIONS

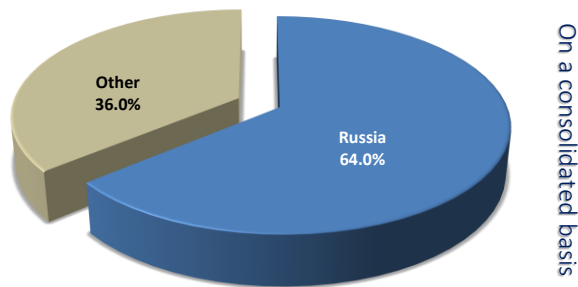
- Strong focus on improving customer & consumer engagement

# International Beer Operations

## Volume Development

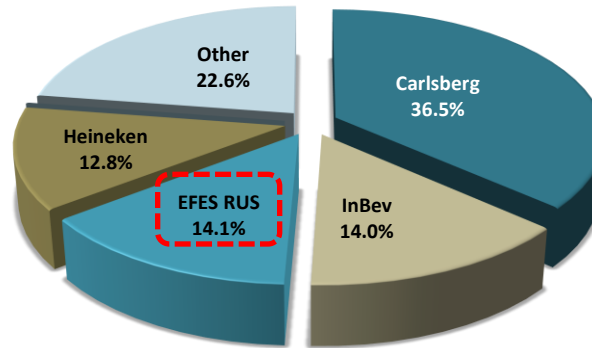


## Volume Breakdown



- EBI's sales volume was 3.3mhl in 4Q2014 vs. 3.8mhl in 4Q2013, marked with lower volumes in almost all operations
- Our Russian performance was slightly weaker than our forecasts in 4Q2014, mainly due to the economic turmoil in the country
- EBI's sales volume came at 17.4mhl in 2014, down 4.8% y-o-y

## Market Share by Volume\* – Russia



*Shares of Carlsberg and INBEV include Ukrainian brands  
Numbers may not add up to 100% due to rounding*

- Total beer market declined by 9% in Russia\*\* in FY2014 vs FY2013 due to;
  - ✓ macroeconomic challenges
  - ✓ previous years' regulatory changes
  - ✓ adverse weather conditions during the peak season
- 50 bps market share increase in 2014 vs 2013

\*Nielsen, National Urban Russia (over 10 th. inhab) Retail YTD December 2014

\*\* Company estimate

## BRANDS

- Focus on Brands
- Pioneering innovation in the market
- New Brand & SKU Developments: Gold Mine Whiskey, Redd's Mademoiselle, Koziel Unfiltered, 387, Kruzha Svezhego 1 lt Bottle, Herrenhauser, Beliy Medved Winter
- Brand campaigns
- Ensure premiumization of portfolio

## EXECUTION

- Capture higher share in growing channels
- Good momentum in Key Accounts / category management
- Continued cooler placements to further increase cold availability
- Geographic focus

## EFFICIENCY

- Cost reduction initiatives & network optimization (Closure of Moscow & Rostov plants in Russia)
- Procurement initiatives & total supply chain cost control
- Warehouse optimization

## RELATIONS

- Focus on engagement
- More proactive relationship with regulatory bodies

# Financial Overview

*by Onur Çevikel*



	<b>FY2013</b>	<b>FY2014</b>	<b>Change(%)</b>
<b>Total Sales Volume (mhl)</b>	<b>85.6</b>	<b>88.7</b>	<b>3.5%</b>
<b>Net Sales (million TRL)</b>	<b>9,195.8</b>	<b>10,079.1</b>	<b>9.6%</b>
<b>Gross Profit (million TRL)</b>	<b>3,995.7</b>	<b>4,417.1</b>	<b>10.5%</b>
<b>Gross Profit margin (%)</b>	<b>43.5%</b>	<b>43.8%</b>	<b>37 bps</b>
<b>EBITDA BNRI (million TRL)</b>	<b>1,520.2</b>	<b>1,720.9</b>	<b>13.2%</b>
<b>EBITDA BNRI margin (%)</b>	<b>16.5%</b>	<b>17.1%</b>	<b>54 bps</b>



## Free Cash Flow

- Solid FCF generation in a challenging year...

(m TRL)	FY2013	FY2014
EBITDA	1,494.7	1,702.4
Change in Working Capital	-189.2	30.3
Income Taxes & Employee Benefits Paid	-183.2	-209.1
CAPEX, net	-1,150.8	-983.9
Net Financial Income /(Expense)	73.1	-60.5
Other investing activities (Acq., Disp., Min. Buy-Out and SC Increases)	-182.3	-66.3
<b>FCF</b>	<b>-137.7</b>	<b>412.7</b>
<b>FCF excluding minority buy-out and other investing activities</b>	<b>44.6</b>	<b>479.1</b>

Considering;

- Free Cash Flow generation
- Reduced leverage
- Positive net income before non-cash items

BOD has proposed to distribute

- a gross cash dividend of TL 0.46
- Net TL 0.391

per share in 2015.

The dividend proposal is subject to GA approval and will be made thru existing cash resources.

# TURKEY BEER OPERATIONS

## Operational Snapshot - FY2014 Performance

	FY2013	FY2014	Change(%)
Total Sales Volume (mhl)	7.3	7.1	-3.2%
Net Sales (million TRL)	1,517.5	1,627.7	7.3%
Gross Profit (million TRL)	1,055.3	1,136.2	7.7%
Gross Profit margin (%)	69.5%	69.8%	26 bps
EBITDA (million TRL)	419.7	483.5	15.2%
EBITDA margin (%)	27.7%	29.7%	205 bps

# TURKEY BEER OPERATIONS

## Free Cash Flow

	FY2013	FY2014
(m TRL)		
EBITDA	419.7	483.5
Change in Working Capital	-64.4	25.1
Income Taxes & Employee Benefits Paid	-43.8	-61.2
CAPEX, net	-157.8	-110.0
Net Financial Income /(Expense)	17.5	-10.0
Other investing activities (Acq., Disp., Min. Buy-Out and SC Increases)	-289.7	-10.5
FCF	-118.5	316.9
FCF excluding minority buy-out and other investing activities	171.3	327.4

	<b>FY2013</b>	<b>FY2014</b>	<b>Change(%)</b>
<b>Total Sales Volume (mhl)</b>	<b>18.2</b>	<b>17.4</b>	<b>-4.8%</b>
<b>Net Sales (million USD)</b>	<b>1,300.5</b>	<b>1,118.4</b>	<b>-14.0%</b>
<b>Gross Profit (million USD)</b>	<b>516.3</b>	<b>498.8</b>	<b>-3.4%</b>
<b>Gross Profit margin (%)</b>	<b>39.7%</b>	<b>44.6%</b>	<b>489 bps</b>
<b>EBITDA BNRI (million USD)</b>	<b>140.1</b>	<b>157.2</b>	<b>12.2%</b>
<b>EBITDA BNRI margin (%)</b>	<b>10.8%</b>	<b>14.1%</b>	<b>328 bps</b>

(m USD)

**FY2013**

**FY2014**

<b>EBITDA</b>	<b>126.7</b>	<b>148.8</b>
<b>Change in Working Capital</b>	<b>40.1</b>	<b>19.9</b>
<b>Income Taxes &amp; Employee Benefits Paid</b>	<b>-27.7</b>	<b>-13.9</b>
<b>CAPEX, net</b>	<b>-154.5</b>	<b>-71.8</b>
<b>Net Financial Income /(Expense)</b>	<b>-5.9</b>	<b>-9.7</b>
<b>Other investing activities (Acq., Disp., Min. Buy-Out and SC Increases)</b>	<b>11.5</b>	<b>0.0</b>
<b>FCF</b>	<b>-9.8</b>	<b>73.2</b>
<b>FCF excluding minority buy-out and other investing activities</b>	<b>-21.3</b>	<b>73.2</b>

# Net Financial Debt & Financing

- Significant deleveraging in 2014

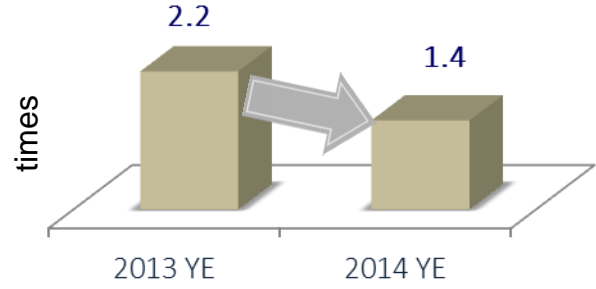
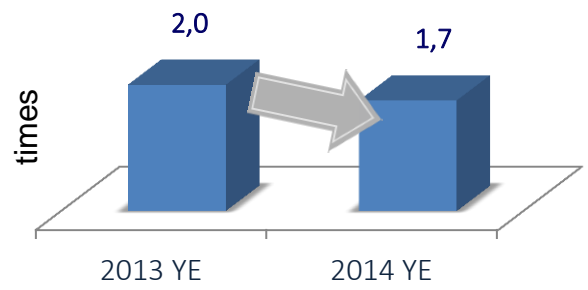
## Anadolu Efes Cons.

- Consolidated gross debt at TRL 4,506.8 mn
- Cash & cash equivalents at TRL 1,562.5 mn
- Net debt position of TRL 2,944.3 mn

## Beer Group

- Gross debt at TRL 1,863.1 mn
- Cash & cash equivalents at TRL 802.6 mn
- Net debt position at TRL 1,060.6 mn

Net Leverage Ratio



## CCI

- Consolidated gross debt at TRL 2.643.7 mn
- Cash & cash equivalents at TRL 759.9 mn
- Net debt position at TRL 1,883.7 mn

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

	<b>FY2014</b>
Interest income	85.1
Interest expense	(193.3)
Foreign exchange gain	723.2
Foreign exchange loss	(1,229.7)
Other financial expenses (net)	(13.8)
<b>Net Financial Income /(Expense)</b>	<b>(628.5)</b>



# Closing Remarks

*by Damian Gammell*



# Summary

- Targets delivered and financial performance improved in such a challenging year
  - We managed to record topline growth & profitability improvement
- Difficult-to-execute measures successfully taken and a more flexible infrastructure achieved after rightsizing in our beer operations
- Portfolio expansion continued by leveraging strategic partnerships with SAB Miller & TCCC, while capability development programs accelerated
- Achieved our targets in improving our FCF generation to around TRL480 million in FY2014, significantly helping us to deleverage and improve Anadolu Efes' balance sheet health

## *As a result, once again we achieved our guidance for the full year;*

- ✓ Consolidated sales volumes grew by 3.5%
- ✓ Revenues up by 9.6%, outpacing the volume growth
- ✓ EBITDA (BNRI) reached TRL1,720.9mn, with a 54 bps higher margin at 17.1%
- ✓ Anadolu Efes' net income (excluding one-off items) was TL214.7mn in FY2014 vs TL133.2mn in FY2013, mainly contributed by the improved operating profitability in 2014

## BEER OPERATIONS

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

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

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

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

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

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

**EBITDA** → lower in absolute terms

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

FX component of ca. 40% of our hard currency based COGS in Turkey beer segment was hedged against TRY

## ON A CONSOLIDATED BASIS

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

Sales revenue growth > Volume growth

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

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

# Q&A



Thank You

