Company Name: Anadolu Efes
Company Ticker: AEFES TI
Date: 2015-11-06
Event Description: Q3 2015 Earnings Call

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Company Participants

- Robin Michael Goetzsche
- Onur Çevikel

Other Participants

- Nikolay Kovalev
- Edward B. Mundy
- Tristan van Strien
- Andy Smith
- Hans Gregersen

MANAGEMENT DISCUSSION SECTION

Operator

Hello everyone. Welcome to Anadolu Efes' Nine Months 2015 Result Conference Call and Webcast. Before we start, I would kindly request you to refer to your notes in our presentation regarding the forward-looking statements.

Now I am leaving the ground to Mr. Robin Goetzsche, Anadolu Efes Group President and CEO. Thanks. Robin?

Robin Michael Goetzsche

Thank you very much. Welcome everybody. As you well know, I'm new to the role. In fact this week is my first week. So I do hope to meet you in the coming months. Certainly, interesting week to start off with the outcome of the Turkish elections, which is very interesting and, of course, the tragic news of this Russian airliner going down, which clearly just shows that we're really in a volatile environment we operate in, but very interesting also.

I know many of you would have called in on the CCR call yesterday, so our focus today will be much more on the Beer Group. But just to give you some highlights for the nine months. Firstly, the soft drink business has had a good nine months, particularly the second quarter and third quarter. And this has mitigated some softer sales volumes, but really expected sales volumes, particularly obviously led by circumstances in Russia and in, of course, the business in Ukraine.

Having said that, our revenues are up by some 1%, which has been helped by price increases and of course some positive mix, which I'll cover little bit later. Net add flow through the EBITDA was a 33 basis point improvement in the nine months, mainly from the Beer segment, very positive mix aspects and some strong cost efficiencies coming through as a couple of the points. And this is also shown up in our free cash flow generation, both in the Beer Group, but also in the consolidated business, of course, in a very challenging environment.

If we move on to the consolidated business in terms of some of the key metrics, sales volume down just under 4%, but what we do show you is excluding Ukraine for obvious reasons, [indiscernible] (0:02:29) decline of about 1.5%. Net sales revenue was up around 1% and without Ukraine up 3%, and EBITDA, in fact, excluding Ukraine up 5%, with Ukraine 3%. So very much, as I mentioned, really flowing through in terms of price increases and some very positive brand and geographic mix and then, of course, margin improvements, driven by those factors and offset to some extent by softer margins in the Beer business.

If we really go into the soft drink business, I won't say much, except a couple of points. I think a very strong recovery in the recent period, although we do see currency impacts on those businesses. But I think what is positive Is we're seeing a diversification of the soft drink business with Turkey now only accounting for 50%.

And I think very much in line with the strategy, which is highlighted on slide seven. And again, I won't cover this in detail. I think very much continuity in terms of what they are doing. Clearly, particularly strong focus on growth in sparkling and still, but looking for profitability in the stills portfolio and making sure that they continue to grow revenue.

If we move onto the Beer business and we talk about volume, Clearly, you can see volume down 15%, but excluding Ukraine around 8%. It was particularly driven by Russia, where the market is down around 10%, and on our latest views of Turkey, Turkey down around 1%. So those are the two big markets and where they are at.

Worth pointing out that generally market share performance is quite flattish, and in particular, the last quarter being quite positive in Turkey where in fact we're starting to see particularly the big brands holding share.

Our strategy continues, so the strong continuity around our beer framework clearly on our brands is making sure that we have right focus on our brands. We renovate our key brands, but also that we bring innovation to the market, both in terms of our existing portfolio, but also looking at new categories.

Execution is an ongoing focus, but particularly around specific geographies, channels and making sure we prioritize our investments. And then, of course, efficiency, particularly in terms of supply chain, but also making sure that all of our investments in the market work for us.

All of the businesses have done some strong work on their route-to-market and sales force effectiveness, making sure that we are efficient, but also that are able to execute. And then, of course, on an ongoing basis connecting with our key stakeholders across the different areas from employees to customers, regulators and the community, and, of course, making sure we contribute strongly in the environment.

I just want to point out here, certainly for us, customer service and servicing our customers we think is a strong competitive advantage and we continue to work in improving that.

Engaging with our key consumers, I guess, the key thing as stakeholders, the key thing from a consumer point of view is having the right brands in the right place at the right price. Shoppers for us becoming increasingly important particularly as we start seeing move to off-premise and particularly to what we call modern trade, and here our capability here in key accounts and category management are very important for us. And then servicing our customers and this is across the value chain so, where we have the distributor network, but also directly into the customers that we actually deal with directly both from the sales, but also distribution point of view.

Now I am just turning and focus on Turkey. Turkey, what's key for us has been the reemphasis on our flagship friends, particularly Efes Pilsen, and I think what's positive for the last four months, we've seen their market share flattening out and that's good. Having said that, we've also – some good expansion and innovations in the Turkey market, particularly the good growth we're seeing on Efes Malt and Bomonti and the work the team are doing on prioritizing that brand. And then in the strong alcohol area where we're seeing consumers actually looking for an offering in this area, certainly Efes Xtra and Amsterdam Navigator are filling this gap.

Clearly we are operating in quite a tough environmental context in a both political and the macro environment in terms of the economic, tough competitive environment. And unfortunately we're seeing quite a [indiscernible] (0:07:29) tourism which of course is important for us particularly in the hot summer seasons, driven often by what's happened in Russia as well. So certainly, I think a tough environment, but I think the business actually quite well positioned now to continue to compete.

If we move on the international business, as I pointed out, Ukraine obviously does skew the numbers. And so excluding Ukraine, around 9% down, most of that driven by Russia, but we continue to maintain our portfolio expansion strategy to drive both volume and value in the right segments. So focus very important, but innovation and renovation and much more focus on executing in the market, so reconfiguring the route to market, but also go-to-market strategies around sales force execution is very key.

Just covering Russia, expectation for the market decline would be around 10% this year, [indiscernible] (0:08:36) in premium, so we are the market leader now in premium. And I think the focus on our premium portfolio is paying off. We also targeted our total portfolio as a key competitor brand point. And that's worked well for us including the upper mainstream brands.

Our emphasis over time is to try and move into the higher-value packages and out of PET. What's worked well is the multipack can packages that we're exploiting at the moment and then our ongoing focus will be to drive share gains in premium and upper mainstream.

With that as some background, what I would like to do is ask Onus just to take us through some of the more detailed financial overview and then we'll come back for a quick sum-up and then Q&A. So, Onur, over to you.

Onur Çevikel

Well thank you very much, Robin. Good morning and good afternoon ladies and gentlemen. Today, I'll be briefly taking you through our nine months 2015 financial results. As usual, I will first start with our consolidated numbers.

Our consolidated volume in Anadolu Efes reached 69.8 million hectoliters, 3.7% less than the same period of 2014. As mentioned previously, excluding Ukraine, this decline was very limited with 1.5%.

Our net sales revenue grew ahead of our volume growth, with a 1.1% growth in nine months 2015. Our total net sales was reported as TRL 8,260 million. The growth excluding Ukraine was stronger with 3.1%. Our EBITDA growth was 2.9%, EBITDA reaching to TRL 1,586 million, with an EBITDA margin of 19.2, which represents 33 basis points improvement.

Briefly going through the performances of the segments for nine months, as usual, let me start with Turkey. Our nine months 2015 sales were 5.2 million hectoliters, which is 5.2% less than the same period of 2014. The reasons of the decline, as discussed previously, mostly economic and political developments, lower consumer sentiment, depending on that, [indiscernible] (0:10:58) competition.

Our net sales revenue grew by 2.6%, ahead of volume, reaching to TRL 1,170 million. The revenues grew ahead of volumes, mainly fueled by price increases and positive mix impact. Gross profit in Turkey was recorded at TRL 727.1 million, with a 1% decline over the same period of 2014, with a gross profit margin of 62.1%, which represents a 224 basis points decline. Main reasons for the gross profit margin decline were higher costs due to unfavorable FX impact, lower volumes leading high FX cost and higher one-time value prices coming from 2014 [indiscernible] (0:11:47).

Our EBITDA in Turkey has reached – [indiscernible] (0:11:55) TRL 379.3 million, 8.7% less than 2014 with an EBITDA margin of 22.4%. EBITDA margin was less around 400 basis points, out of which more than half is attributable to the issues related with the gross profit margins this past quarter.

Moving to our international operations. In our international operations, our volumes are recorded as 11.4 million hectoliters, which is 19.3% less than nine months 2014 results. The main reason of the decline in international beer operations is Ukraine and Russian markets. Let me remind you that the decline was limited with 9.1% for our international business when we exclude the Ukraine. Our net sales on a U.S. dollar basis was reported as US$600 million, that's a 7.5% decline.

Since there has been significant devaluations in the operating region, most of this decline is attributable to these devaluations since the local currency price increases in the markets we operate were implemented as mentioned before. Without currency effects, this decline would be limited to mid-single-digit in the revenue side.

Our EBITDA was recorded as US$107.9 million, with an EBITDA margin of 17.7%, which represents a 444 basis points improvement in margins. The improvement in EBITDA is fueled by better revenue management, better brand management, strict cost and expense control, procurement savings as well as hedging initiations that we started by the end of 2014.

Talking about our own beer business, we were able to generate EBITDA of TRL 635.3 million. We were able to expand our EBITDA margin by 268 basis points, reaching to 22.6 EBITDA margin despite the challenging countries that we operate.

You will all remember that we had set positive free cash flow generation as a major key priority for the company back in 2013. We had a very strong free cash flow back in 2014 financial year, and we were able to continue our strong free cash flow generation in the first nine months of 2015. Free cash flow generation for our Beer business has been TRL 300.9 million for the first nine months of 2015.

Talking about the balance sheet and the debt position of the company, even though accelerated depreciation of TRL, as well as some Central Asian currencies continued in the third quarter of 2015, we were able to continue our strong balance sheet position. Our net-debt-to-EBITDA was slightly over two times in consolidated Anadolu Efes numbers. That is, we were successful in managing to keep net-debt-to-EBITDA ratio of Beer Group under two times with 1.95 times.

Let me remind you that the TRL-USD FX rate was more than 3 – 3.33 to be exact by the end of third quarter. But after election results, it had a positive move down to 2.80 points. If we had these rates at the end of third quarter, our net-debt-to-EBITDA numbers would obviously – would be looking better.

Talking about our average maturity, our average maturity for the Beer Group is 5.4 years and average maturity for Anadolu Efes consolidated level is approximately four years at very healthy levels. Significant portion of our debt is fixed proactively, which also minimizes the interest rate risk.

Since majority part of our debt is on high currency, our net income is negatively impacted with the non-cash FX losses due to accelerated devaluation in TRL in the first nine months of 2015. And in fact, as I mentioned earlier, due to the election period back in the third quarter, the TRL-USD rate was relatively higher being over 3, which has increased our non-cash FX process in the third quarter.

Finally, talking about the free cash flow generation on Anadolu Efes level, we are happy to report a strong TRL 566.3 million free cash flow generation by the end of nine months. The fact that we are cycling a strong free cash flow generation base back in nine months of 2014, makes this achievement more valuable for us.

And finally going further, talking a bit of the financial priorities that we have – we're going to be continuing with the tight balance sheet management and still free cash flow generation and de-leveraging is going to be one of the major priorities that we're going to be sticking to.

Cost and expense reduction, as well as optimization of capital expenditures is going to be keeping on adding value. Decreasing operational FX exposure to hedging is going to be one of the items that we are going to be continuing doing and commitment to investment grade ratings is going to be still our priorities going further.

So, I will leave the stage to Robin for the closing remarks.

Robin Michael Goetzsche

Thank you, Onur. Yes, so if I can just summarize, certainly, it's a continuation of our strategy, so we're certainly very committed to building on our brand positions that we have. And I guess the three keywords there are continuing differentiation, focus and visibility.

We really want to ratchet up on the execution front, particularly our sales execution and how well we do that. The third is a rigorous focus on efficiency, particularly ongoing cost focus and maintaining and building our relationships both within our employee base, but also with our external stakeholders and customers.

We need to continue to drive value generation for the business and our focus will stay on improving our profit margins with a strong focus on free cash flow as our major priority. I think what Onur will do is just take us through some guidance for the rest of 2015 and then we'll open for the Q&A. So, Onur if you'll do that for us please.

Onur Çevikel

Yeah, for the 2015 guidance, our expectation for the Turkey beer market is to decline slightly and our expectation for our volumes in Turkey to decline by low- to mid-single-digits. The key part of guidance was the Russian beer market. However, we expect our Russian business [indiscernible] (0:19:28) market slightly due to the obvious reasons that Robin discussed a few minutes ago.

And with this, we expect the total beer volume to decline at a rate of mid-teens. We still expect an EBITDA margin improvement. And on the consolidated level, we expect a decline at low single-digits and to be flat, excluding Ukraine.

We expect sales revenues and EBITDA to grow in absolute terms and we expect flattish EBITDA margins for the year 2016.

Robin Michael Goetzsche

Thank you very much, Onur. I think what we'll do now is open for questions.

Q&A

Operator

Thank you sir. [Operator Instructions]

We'll take our first quarter from Nikolay Kovalev from VTB Capital. Please go ahead.

<Q - Nikolay Kovalev>: Yes, hello to everybody. I have two questions. I guess I will just ask the first one and wait for your reply. So, basically can you guide us on this initiative to voluntary switch to new PET packets in the mid of next year? So according to your expectations, what percentage of the consolidated production base in Russia will do it [indiscernible] (0:21:14)? And what will be the blended impact on Russian volumes and Russian margins as a result? That's the first question.

<A - Robin Michael Goetzsche>: Okay. Let me answer that and then we'll come back to your second one. I think it was announced some months ago by the Russian Beer Union that the members of the Russian Beer Union would agree to effectively adhere to the strong signals coming from the regulators that we would see a maximum pack size of 1.5 liters on PET. I think the view of the Russian Beer Union is that we should try and be more proactive in terms of working with regulators rather than actually just objecting to specific issues.

Although the Russian Beer Union argues and continues to argue that there's nothing wrong with the PET package and the many other products in PET packaging. So I think that is a strong position, but haven't agreed that we really just for continuity and predictability, it would be a good idea for us to agree on the timing. So, essentially from July1, 2016 production of anything greater than 1.5 liters for Russian Beer Union members would cease.

That would be in excess of 90% of the volume that would be affected. It's of course quite difficult to predict the impact. The sense is that we'd probably lose between 10% and 20% of 2.5 liter volume, which would net out probably across the board about 5% volume over time.

Of course I think we'll see a shift in the marketplace around the packs, the pricing of packs. So consumers don't want to stop drinking, I think, or choosing different brands. They will go to different packs and of course the 1.5 liter pack will still exist, so probably around 5%. Our view as Anadolu Efes is in fact we will capitalize on this and we see this as really positive rather than negative because we think over time, it's good for beer and how beer is positioned. And certainly from a value point of view, we think it works. And hence as I said to you earlier, our focus is going on upper mainstream in premium and certainly driving the smaller pack formats, glass and can which have been growing very strongly.

So I hope I covered that more briefly, I hope I covered that enough for you. Nikolay?

<Q - Nikolay Kovalev>: Sure. And my final question is on your relationship with retail chains in Russia now. As you know, they're pretty [indiscernible] (0:24:06) at the moment and I believe the general consensus is that producers are also participating in promos. So my question is can you update from the concentration of your sales in like key counts, like large retail chains and is it possible to estimate what percentage of margins are allocated to support promos across the consumer sector if in a year-to-date scale?

<A - Robin Michael Goetzsche>: Okay. Yes, so, I mean certainly, one of the things we've done over the last 18 months is ratchet up our, what we call, key account capability or competencies including training of our resources, putting in more resources, merchandising sales reps and our key account teams.

And secondly, a lot of effort and work being done on the category management front, working much more with the retailers around the total category. Clearly, the benefits are negative.

I mean certainly, a lot of them have scale. And I mean, we're well represented across all of the retail chains, and we're in a position to in fact ship directly into those retail chains. There's good positives for us from a margin point of view that offsets to some extent sometimes the higher trading terms.

But we also still believe we're very strongly positioned in the traditional trade. The traditional trade is not going to go away and we're starting to see in fact in terms of the trends we're seeing the traditional trade, mix actually flattening out.

I think there may be some impact with the PET restructuring in the next nine months, but that will be – time will tell. We certainly try and balance our margins across the different channels in terms of how we price and how we promote in terms of the total value chain mix. Okay. Thank you.

<Q - Nikolay Kovalev>: Thanks.

Operator

Our next question is from Edward Mundy from Nomura. Please go ahead.

<Q - Edward B. Mundy>: Good afternoon, Robin and Onur. I've got three questions, please. The first is, clearly there is a lot of interesting things going on in the world of big consolidation and my understanding is that you've got right to first refusal at fair market value in the event that SMB wanted to sell any shares in Anadolu Efes. In the event that SMB's 24% stake did come up for sale, is this a way you'd want to use your balance sheet?

And secondly, the step up in profitability in international was so impressive in the quarter. You [ph] flagged (0:26:50) lower sales and marketing expenses as well as some increased efficiencies that helped to pop up that margin. Can you provide a bit more color on this and how sustainable this is? And then the third question, on Turkey Beer, I was wondering whether you could provide an outlook for taxes post the election.

<A - Robin Michael Goetzsche>: Okay. On the SABMiller ADR prices, I mean we don't really want to comment on that at this stage, that hasn't even – actually had a formal offer yet, and we need to see how that pans out. So we kind of don't really have a position on that, sorry, I missed the point on the efficiencies.

<**Q - Edward B. Mundy**>: Profitability and the sustainability of the profitability.

<**A - Robin Michael Goetzsche**>: Yeah, I mean, I think certainly, I mean, we're not just cutting cost per se. I mean I think we're investing in the right places, particularly in marketing and the sales force. But looking at where we can take costs out in supply chain and in the back office, just as an example, quite a lot of work being done in Russia around, for example, customer interaction center where we had a mix of order taking via telephone and sales calling.

So, there's a quite a whole lot of efficiencies that we're putting in place, so I think it's an ongoing focus around cost, but also certainly to focus on growing revenue, with mix, price, et cetera. Thirdly, in terms of Turkey, our view is that it will be very much in line with what's regulated. So we don't see anything beyond where it is at the moment, so it's kind of going to be – we're planning on what the kind of usually regulated environment expects.

<**Q - Edward B. Mundy**>: Okay. Thanks. And given the – I wasn't expecting you to answer the first question, perhaps I can just ask, what went further. Robin, having recently come into the role, what are you sort of big picture views for the beer business for Anadolu, having taken over recently as CEO?

<**A - Robin Michael Goetzsche**>: Of course as you well know, it's an obvious statement is that the territories we operate in are quite stressed and under quite a lot of pressure because of kind of economic and to some extent geopolitical issues. But if you look at the demographics, the demographics are good. Generally, we've got younger populations and legalized drinking consumers coming into the market. I think secondly, we've got quite low per capita in certain areas that we can exploit. And I think we've got some great brands and great brand portfolios and capability. So I would say, looking at the markets, I certainly see us starting to be in a position during 2016, going into 2017, seeing a turn in a number of our markets, and hopefully be in a good position to capitalize on that.

<**Q - Edward B. Mundy**>: Great. Thank you.

<**A - Robin Michael Goetzsche**>: Tristan.

Operator

Our next question is from Tristan van Strien from Deutsche Bank. Please go ahead.

<**Q - Tristan van Strien**>: Hey, good afternoon, Robin [ph] Goetzsche and (0:30:02) Onur. I've got three questions, if you don't mind. The first one just on the Ukraine, can you just give a little color on that, what's happening, is this specific to Efes or it's the whole market, and is there any light at the end of the tunnel there?

I guess the second one is, on your movement away from the big PET packs, so how much have you shipped and what percentage of your portfolio is it today, 1.5 liters and up from what it was?

And then the third one, I guess [indiscernible] (0:30:31) two times net debt over EBITDA, and what level should we comfortable if the right opportunities came along over the next few years?

<**A - Robin Michael Goetzsche**>: Okay. Tristan, just I'll answer the first one and Onur, why don't you just give your view on the second please? On Ukraine clearly, we are in the east of the country in the Donetsk area. Our focus has been on securing our assets and our people which we've done. We continue with a model, essentially an import model in the west.

We're reviewing our strategic position in terms of how we capitalize it on that going forward. But obviously, it's quite a volatile and quite a fluid situation. Suffice to say that our assets are intact and fine at the moment and we'll be exploring and looking at ways to go forward.

<**Q - Tristan van Strien**>: Thanks.

<**A - Onur Çevikel**>: Yeah, on the PET packages and net debt to EBITDA, well, actually as you know, around – 45% to 50% of the total market is around – in PET packages and around half of this has been in the packages that has been more than 1.5 liters. Having said this, these are the market numbers. And our numbers by the end of nine months is not

that much different or what the market has, maybe slightly better than what the market has. But not that much of different from what we have. Unfortunately at this stage, this is the information that we can provide on this.

Coming to the question about the net debt to EBITDA, well, we are looking at two times, 2.5 times of net debt to EBITDA as the comfortable point that we feel ourselves comfortable with the organic growth of the business. When it comes to any kind of other M&A opportunities, which is not on the table as of now that we are talking, then we can really talk about this because as we well mentioned, we see Anadolu Efes balance sheet to be one of the strong powers of Anadolu Efes.

And that's why we're being very much focused on the free cash flow generation in the couple of years in order to make sure that we don't increase our net indebtedness, but what we do is to decrease the debt levels of the company. And even though with the devaluations that are kicking in, keeping the net debt to EBITDA level under healthy levels, so that's how we see as of today.

<Q - Tristan van Strien>: Okay. Thank you. Appreciate it.

Operator

[Operator Instruction] Our next question comes from Andy Smith from Bank of America Merrill Lynch. Please go ahead.

<Q - Andy Smith>: Hi, Robin, hi Onur, I've got two questions if I may. It was good to hear that market shares have been reasonably stable in Turkey during the quarter. I'm interested at really what steps you're likely to take next year to grow market shares?

And in particular, the outlook for pricing, given that on a per-capita basis, beer is pretty expensive in Turkey already. What's the interplay do you think between price and volume in the Turkish market? And the second question is, again, turning to Russia and Ukraine. What's your outlook for beer market volume growth for 2016? Thanks.

<A - Robin Michael Goetzsche>: Well, about the outlook numbers that we have been talking for our Turkey operations, as you know, we have been – what we have been doing on the pricing is, we have been taking a few things into consideration on the pricing that is across all the markets that we have been doing. One of them is the taxation and the increases on taxation. The other one is definitely the competition, and the third one is the efficiencies that we have been going toward.

So, these are still going to be the basic drivers that we're going to be looking at when we are doing pricing in our Turkey beer business, as well as all other beer businesses that they have been going.

So unfortunately, I'm not going to be able to tell much about what's going to be our pricing strategy for the next year since we are not giving any guidance on the next year as of now, but we are going to be doing that in the coming months when we declare our year-end numbers.

And unfortunately, the same is going to be valid for Russia and Ukraine We're not going to be able to talk much about how we do see the outlook for the Russia and Ukraine.

Having said that, just to talk a bit about the overall picture in Russia as well as Ukraine, Russian beer market has been facing a couple of challenging years, a couple of years of decline. The reasons of the decline have been mostly coming throughout the year. The excise tax increases, the regulatory impact that has been coming and finally the macroeconomical issues that have been checking in. So – and next year, we are going to be also – as well mentioned by Robin, we are going to be also seeing another regulatory issue that's going to be coming in on the PET issue. So, we are going to be cycling on these in the Russian beer market.

And in Ukraine, the volatility is still there. So we do hope that the volatility in Ukraine is going to be coming to a peaceful end in the soon future, but that's a question that unfortunately nobody can really answer as of now.

<Q - Andy Smith>: But I think it's fair to say [indiscernible] (0:36:49) with such a large proportion of your Group volume in Russia still being in PET packages and the fact that you stated that you're looking to migrate that towards multi-pack offers et cetera, that there will be still some structural pressure on Group's volume in Russia through 2016. Is that fair to say?

<A - Onur Çevikel>: Well – I mean, it's obviously going to be the challenge of the industry to make sure that this migration and this change, which brings in the limitation of packages – over 1.5 liter PET packages, to migrate these volumes into more value-generating packages, is going to be the challenge of the industry. So – and that's fair to say that that's a challenge and that's fair to say that the success of the industry will be how fast and quick and how successful we can migrate these volumes into more profitable value-generating packages.

It brings also its own advantages like being more – having more [indiscernible] (0:38:04) on the brands, being more able to promote the brand, because it's not that much of a marketing issue to have a 2.5 liter or a 3 liter brand in PET, it's not that easy. So having said this, I think you can comment on the rest on your own.

<Q - Andy Smith>: Thanks very much.

<A - Robin Michael Goetzsche>: Okay, I think Andy is our last person who wants to ask a question. So I think on that, I'd just like to thank everyone for their time. And I look forward to meeting you – no, I think Edward wants to ask a question again. Edward? There are more questions coming through. Okay.

Operator

Certainly. I'll just open Mr. Mundy's line from Nomura. Please go ahead, sir.

<Q - Edward B. Mundy>: Thanks. [indiscernible] (0:38:56) get back in the queue. Just a question on input cost. Clearly, input cost has been a bit of a headwind in Turkey this year and a tailwind in international a bit. I just wondered if you could give a little bit of a flavor as to the outlook for next year on input costs or certainly COGS [indiscernible] (0:39:12) divisions?

<A - Onur Çevikel>: Well on the – I mean I'm not going to be able to talk much on the input cost as well since I'm not going to be giving any big guidances. However, having said this, we have been seeing the commodity prices coming down. So, we will be seeing that some of the commodity prices are going to be coming down, but this is going to be, again, mitigated by some of the FX pressures that have been on the operating countries that we have been operating.

Also, I mean we expect in Turkey the malt and barley prices to be in line with inflation or a bit more unfavorable. We are going to be seeing that in the coming months and we are going to be seeing, some probably malt and barley prices increasing in Russia due to the devaluation impact that has been coming in.

So, this is, well that's what I can comment as of now.

<Q - Edward B. Mundy>: Okay. Thanks.

Operator

We'll now take a question from Hans Gregersen from Nordea. Please go ahead.

<Q - Hans Gregersen>: Good afternoon. One question, if I look in your forward-looking statements for [indiscernible] (0:40:32), you talk about having a revised focus and resource allocation. Should I read into this that you are basically saying that you're giving up certain volumes that are not profitable for you and you will focus on a more profitable part of your overall business platform? Thank you.

<A - Robin Michael Goetzsche>: Look, I mean I think we obviously look at that country-by-country. And I think you – probably in Russia what's worked very well for us has been focus on our portfolio and geographies where there is profitability. And I think Onur did imply that in fact trying to promote and [indiscernible] (0:41:11) 1.5 liter packs isn't that profitable and I think you would find that across the industry.

Having said that, I think the statement is much more around freeing up funds from improved cost control, particularly fine-tuning back office costs, admin costs and general and admin costs and investing those in the marketplace where appropriate. So I think it's a mix. But I mean we will have an ongoing relentless look at costs the whole time, but at the same time, that doesn't mean under-investing, and certainly where we are strong positioned, we will continue to reinforce those.

<Q - Hans Gregersen>: But the question also points to, could there be, let's say, if you are working in regions where you have a sub-par market position or market share position, hence creating a loss-making operation, are you willing to consider bailing out of this region and say, as we cannot make money there, we will just leave it.

<A - Robin Michael Goetzsche>: Look, we haven't had a recent strategic review on all of that. I mean I think generally in most of our markets, our positions are quite good. Our share, obviously, in Russia as you can see was around [ph] 14 volume, 15 (0:42:21) value. But I mean, they're still big and certainly I think there are opportunities for us to grow there.

So I think in most of our markets, in fact we have a good position and we'll continue to try and consolidate and grow on that.

<Q - Hans Gregersen>: Thank you.

<A - Robin Michael Goetzsche>: Okay. And just seeing the other names coming up. I think that's it.

Operator

That was the last question in the queue. So I'll turn the call back to you sir for any additional remarks. Thank you.

Robin Michael Goetzsche

Yeah, thank you very much for the questions. And as I said, I look forward to meeting a number of you as we got around. And, of course, we're not far off our year-end and then we'll have obviously some more information to pass on. But thank you very much, and I hope you all have a good weekend.

Onur Çevikel

Thank you very much.

Operator

Thank you. Ladies and gentlemen, that now concludes today's conference call. Thank you for your participation. You may now disconnect.