Company Name: Anadolu Efes
Company Ticker: AEFES TI
Date: 2017-03-03
Event Description: Q4 2016 Earnings Call

Market Cap: 12,019.74
Current PX: 20.30
YTD Change($): +2.67
YTD Change(%): +15.145

Bloomberg Estimates - EPS
Current Quarter: 0.190
Current Year: 0.858
Bloomberg Estimates - Sales
Current Quarter: 2178.000
Current Year: 12280.467

Q4 2016 Earnings Call

Company Participants

- Asl■ K■l■ç Demirel
- John Gavin Hudson
- Onur Çevikel

Other Participants

- Frans Høyer
- Walid Bellaha
- Hanzade Kilickiran

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to Anadolu Efes Beer Operations Financial Year 2016 Financial Results Conference Call and Webcast.

I will now hand over to the Investor Relations Manager, Ms. Asl■ Demirel. Please go ahead.

Asl■ K■l■ç Demirel

Hi, everyone. Welcome to Anadolu Efes Beer Operations 2016 fourth quarter results conference call and webcast. 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. Gavin Hudson, Anadolu Efes Beer Group President and CEO. Sir?

John Gavin Hudson

Thanks, thanks very much, Asl■. Good afternoon to all and thank you for dialing in this afternoon. We certainly appreciate the opportunity to share the session with all of you. I'm calling in from Moscow, Russia, while Onur and the rest of the team are in Istanbul. So, I trust that the telephone line is clear. I must say that being in the beer business, we also suggest that – hugely suggest that Friday afternoons be reserved for beer with friends, not on conference calls, but I think we've got some good news to share. I'll keep our feedback short, as all of you have the latest information, and I assume, our time would be better spent answering a few questions.

So, following a really challenging year, we're happy to release our results in line with our guidance. Volume up for quarter four – for the quarter at 4.5% and the full year at 1.5%, with strong volume performance in our soft drinks business and international beer operations. Our revenue up just under 11% for the quarter and 2.1% for the full year, high volumes driven through intense market and execution of point of sales and local currency price increases across all segments. Our EBITDA margin also in line with guidance at 17%, with business diversification enabling flat consolidated margins.

Our free cash flow at record levels was just over TRY 1 billion for 2016, up from TRY 637 million in 2015. This is driven through tighter working capital management despite cycling a low base for both Beer and Soft Drinks and in operating with lower CapEx for the year. Our current – our bottom line was either hit by non-cash FX losses with a net loss of TRY 70 million in 2016 versus TRY 197 million in 2015. Our consolidated net debt-to-EBITDA was 1.9 times in 2016 versus 2 times in 2015, this despite the 21% devaluation of the TL versus the USD.

If we look at our – just briefly on Soft Drinks, we had a separate session on our Soft Drinks business. Soft Drinks up 3.2% as I mentioned. Turkey delivered 1.4% volume growth for 2016, but with Turkey delivering 51% and flat market share really. Sales volume of our international operations posted 5.5% – just under 5.5% growth in 2016 and this is driven largely by Pakistan operations, which continued to post double-digit volume growth, just under 19% for 2016. Central Asia, we're happy to announce our operations turn positive in the last quarter with Middle East volumes contracting slightly despite [indiscernible] (03:57) despite macroeconomic and political challenge in South Iraq, as well as ongoing security issues in North Iraq.

If we get to beer volume for 2016, also excluding Ukraine, in line with our guidance that we gave, our Russian beer market performed above expectations on the back of improving consumer sentiment, driven largely, I think, with the recovery of the oil price, the postponement of the PET regulations. As you'll know, the PET regulations really kicked in from 1st of January. We had to manage the conversion over December. And then, we had a really favorable summer for Moscow, which helped the volume.

We did [ph] have a (04:43) really tough market conditions in Turkey, driven by higher than inflation increases in excise on January and December, as you're all well aware the political and the macroeconomic challenges that we faced and then lower consumer confidence obviously on the back of those challenges.

We saw our Turkey business decline just under 10% of the year in terms of volume. The slowdown in the rate of decline continued into quarter four as a result of strategy of really pushing, building our brands by introducing new SKUs, new tastes, new variants, addressing affordability aggressively, and then managing our sales force a lot more effectively and working with our partners in our retail market.

And then one must remember that our expulsion on-premise was fairly high, and with the economic challenges or the political challenges and terrorism challenges that we had, obviously the impact on our on-premise was fairly large. Our market share decreasing from 68% to 66%. But I need to just highlight that the market share numbers are not in line with the volume losses. And Nielsen are changing their panel. So we can expect some changes in the Nielsen results in the next couple of months and we will share that with the community once we have those updated numbers.

In terms of our international beer operations, as I mentioned, Russia performing well. However, the beer market was down 2.2%, but we recorded single-digit growth as a result of two consecutive quarters of double-digit volume growth in Russia. And the 14% market share in Russia is up from 13.4% for the previous player and we remain a very strong number two player in both volume and value in Russia.

Our Beer Group strategy continues as is. We provide – driven by a brand strategy, which is – our beer strategy, sorry, which is our brands, our execution, our efficiency and our relations. We want to continue providing choice and innovation to consumers to grow our brand love. We excel in consumer – customer collaboration, availability of point-of-sale activation and execution, holding competitive advantage through lean and efficient operations. And we're focusing on our employees, customers, regulators, community and environment.

I'll hand over to Onur to take you through – our CFO to take you through some more of the details in terms of our financial performance. Onur?

Onur Çevikel

Thank you very much, Gavin. Good morning and good afternoon, ladies and gentlemen. Thank you all very much for joining Anadolu Efes financial results 2016 conference call today. I will briefly take you through our financial results, starting with Anadolu Efes consolidated numbers. Our consolidated volume in financial year 2016 reached up to 87.5

million hectoliters, with an increase of 1.5%, mostly driven by our Soft Drinks segment as mentioned by Gavin.

Net sales revenue reached up to TRY 10.4 billion, with a 2.1% increase compared to the same period of last year, with an increase higher than that of the revenue. Consolidated EBITDA before non-recurring items was recorded as TRY 1,771.9 million with a slight increase. Our EBITDA margin was recorded to be 17%, flattish compared with prior year. Net income was recorded to be a minus TRY 7.8 million on the back of more than TRY 600 million non-cash FX losses in financial year 2016 due to strong – due to long-term hard currency borrowing and TL devaluation in 2016.

Next, I'll be covering our Beer segment and our financial year 2016 financial platform earnings on our Beer business, starting with Turkey, as [ph] well (09:14) mentioned by Gavin, our volume was 6 million hectoliters with a 9.9% decline versus prior year.

Full year net sales revenue of Turkey Beer operations reached TRY 1.4 billion with a lower decline of 3.1% than that of volume [ph] whereas per liter (09:36) sales revenue grew by around 7% on a year-on-year basis. EBITDA before non-recurring items was recorded to be TRY 408.3 million in financial year 2016, with an EBITDA margin of 28.4%. As earlier discussed, our net income in Turkey was negatively impacted by the TL devaluation in 2016. Going over our International Beer operations, we closed the year with 13.9 million hectoliters in International Beer segment with a 0.9% decline compared with the same period of last year. Excluding Ukraine, our international operations managed to grow by 0.8% in financial year 2016.

On the net revenues, we ended the year with $630.6 million of net revenues in our International Beer operations. This represents a 13% decline in dollar terms. However, if we look at constant currency basis, we see that our International Beer segment revenues would have grown by 1.8%.

On the other side, our EBITDA, before nonrecurring items, was recorded as US$107.8 million, down by 9% compared with the same period of the financial year 2015. Having said this, however, it is important to mention that if you look at the constant currency basis, on a dollar basis, we see a growth in our EBITDA BNRI as well, [ph] like published (11:28) in revenues when compared with the previous year.

Our EBITDA margin was recorded to be 17.1% in International Beer segment, with a 75 basis points improvement. The net income of US$52.8 million was registered in financial year 2016 in EBI.

Talking about the consolidated Beer Group level, our volumes finalized the year with 19.9 million hectoliters, which [ph] up in (12:00) revenue of TRY 3,370.1 million. Despite the headwinds we faced in 2016, we were able to generate TRY 679.1 million of EBITDA, in line with our guidance. We also managed to deliver an EBITDA BNRI margin of 20.1%, in line with our guidance.

As discussed, our net income was negatively impacted by around 20% devaluation in TL against U.S. dollars and registered to be a loss of around TRY 35 million on our Beer Group performance. As you will or most of you will remember, back in three years ago, we had set free cash flow generation as a priority for Anadolu Efes. And today, we are here very happy to announce that the third consequent year of free cash flow generation in our Beer Group segment.

Proactive initiations on working capital management, tight CapEx management, overall financial discipline on the balance sheet and these being backed up by efficiency and improvement were main contributors to free cash flow generation. Free cash flow generation for our Beer Group was TRY 376.3 million in year 2016.

A bit more talking on the balance sheet side, Anadolu Efes net leverage ratios are probably within comfortable zone as of end of 2016 financial year. At Anadolu Efes consolidated level, net debt is slightly less than TRY 1 billion at US$974 million and net debt to EBITDA ratio is 1.9 times. At the Beer Group level, net debt was recorded as US$322 million and net debt to EBITDA was at 1.7 times despite the devaluation that we were talking.

A bit continuing on the balance sheet, average maturity, which is rather important factor for us to follow. Our Anadolu Efes consolidated level is at 3.3 years and for the Beer Group, it's 4.8 years with a very easily manageable debt to repayment schedule with majority of the payments being in 2022. Significant portion of the debt is at fixed rate, which helps minimizing interest rate risks at Anadolu Efes level, 77%, at Beer Group level, 87% of the debt is at fixed rate.

Continuing, as mentioned earlier, due to hard currency debt position and significant devaluation in TL. At Anadolu Efes level, we faced around more than TRY 600 million of foreign exchange loss, which is a non-cash loss, was recorded.

On the other side, we are extremely happy to generate all-time high free cash flow of over TRY 1 billion at Anadolu Efes consolidated level. As I mentioned, you will remember that back in three years ago, we had guided all our shareholders ambition to generate strong free cash flow in both segments of our business [ph] boarding shoppings (15:48) and beer segments of our business. As a result of proactive management of working capital requirement, tight policies on capital expenditures and balance sheet management, which is backed up with efficiency and profitability improvements, we reached a strong free cash flow generation for the third consequent year with a record high for TRY 1.030 million. Strong free cash flow generation also enabled our board to propose a dividend payment of TRY 145 million to the general assembly.

Before finalizing, I would like to remind you about our financial priorities being about efficiency and improvement, generating strong free cash flow, deleveraging, managing the FX volatility on operations and finally our commitment to investment grade ratings will be our priorities, financial priorities going further.

So this concludes my presentation for today. So I will hand over to Gavin for his closing remarks.

John Gavin Hudson

Cheers, thanks, Onur. Just in terms of our priorities, our medium to longer-term priorities, we continued to focus on value by margin improvement and generating free cash flow. We've had three good years and will continue to focus on this into 2017 and beyond. If we look at our beer operations, it's about capitalizing on our strong brand portfolios and leveraging specifically in our premium portfolios, achieving optimal brand and SKU mix and excelling in execution. We really are looking for best operating practice in terms of [indiscernible] (17:43) market and our execution of point to sale and we're implementing those in line with learnings from around the world. We're focusing on quality market share, so it's not just discounting into our market share, but growing profitably and then strong free cash flow generation which we mentioned just now with a focus on optimizing our working capital.

And then from the soft drinks, fairly simple, accelerating our revenue and margin growth, winning at the point of sales, as well a big focus and then sales force effectiveness. So those really are our high-level long-term priorities.

If we look at 2017 and the guidance for 2017, from a sales volume perspective, low-to-mid single-digit growth on a consolidated basis, with total beer, low single-digit growth. Turkey beer, flattish versus a flat market and as mentioned, the market share may change, but our focus and our volume growth or – and our volume performance for 2017 does not change. From a Russian – in our Russian beer operation, we plan to outperform a flattish beer market once again. And then our consolidated soft drinks is mid-single-digit growth, with Turkey soft drinks, low-single-digit growth and our international soft drinks high-single-digit growth, revenue is to outperform our sales volume in all our business lines. And then our EBITDA margin flattish on a consolidated basis. Our EBITDA margin for Beer Group flat, despite growing share of structurally lower margin International Beer businesses and [indiscernible] (19:27) to slight improvement of EBITDA margin for soft drinks.

CapEx as a percentage of net sales at high-single-digits on a consolidated basis and free cash flow, our plan is positive free cash flow in both Beer and Soft Drinks and obviously to continue the top-line performance. That's really at a high level all from our side. I think it's [ph] the opportunity (19:49) for us to take some questions now.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now start our question-and-answer session. [Operator Instructions] Our first question comes from [ph] Dmitri Tikhonov, Commerzbank (20:20). Please go ahead.

<Q>: Good day. Thank you for presentation. And actually I have two questions from my side, if I may. Could you perhaps provide a bit more color on managing the impact of FX volatility, especially the FX volatility related to the debt, which I understand is mostly in FX rather than lira. And my second question would be, perhaps could you also share a bit of your views on the working capital and CapEx management going into [ph] next (20:50) 2018? Thank you.

<A - John Gavin Hudson>: Thanks, [ph] Dmitri (20:54). I'll ask Onur to answer the question on FX volatility and working capital.

<A - Onur Çevikel>: Thank you very much [ph] Dmitri (21:02) for the question. On the FX volatility part, we look at FX volatility on two parts. One part is obviously operational part of that, which we proactively do our operational hedges in operations where we're seeing FX volatility is – might be having an impact on both costs and expenses. We have been doing this for the last three years and we will continue doing this. So if we look at the 2017 numbers on our Turkey business, more than 70% of our FX exposure on COGS as well as the expenses are covered with favorable than today rates. So we felt comfortable and we have a visibility there.

On the International side, we also have our coverage, though our coverage there is a bit less than what we have in Turkey due to the market conditions being favorable at that front. On the long term debt side, as you well know, most of our debt is on hard currency and we are not having a hedge on that front. However, what we are doing is, we're having natural hedges like our export income coming into our operations, as well as holding most of the cash that we have in hard currency which also provides us a natural hedge. We are also looking at options, how we can do the hedges of the long-term loans. Looking from today's perspective, it seems to be relatively expensive given the maturity of our debt as well as our ability to generate the free cash flow. We think that there are going to be better times for us to go for that hedging. So we are evaluating all our options on that front, yet we are staying without the long-term hedges.

Your next question was about the capital expenditures and the working capital. First on the CapEx side, what we are planning is to be a bit higher going at the same level as we had in 2016 on our capital expenditures, most of our capital expenditures basically being either maintenance or sales and marketing investments that we give a lot of importance to. On the working capital management, you will all remember that we had a very good year back in 2015 of managing the working capital in 2015. We continued the same in 2016 despite the market conditions as well as the volatility in the market, we managed to make sure that we used our working capital efficiently in 2016.

And going ahead in 2017 and 2018, you're going to be seeing us doing the same thing and finding new ways of better managing our working capital. We are not giving you a guidance on what the numbers are going to be, but our target is to make sure that we use of our working capital as efficient as possible. I hope this covers your question.

<Q>: Yes. Thank you very much. Appreciate your answers.

Operator

Our next question comes from Frans Høyer,[ph] OKO Bank (25:00). Please go ahead. Mr. Frans, your line is open.

<Q - Frans Høyer>: Good afternoon, can you hear me? It's Frans Høyer, Jyske Bank in Denmark. I had a few questions regarding your comments on the Russian market in 2007. You're looking for a flat market and of course that includes some type of effect of the end to or the changes to the PET packaging. I was wondering how much of a negative effect do you see in the market and [indiscernible] (25:40) and what are the offsetting factors that you put – that you assume will drive a neutral – a flat trend in the market.

Also a question on Russia and the changes to the competitive landscape that you see in the market in 2017 and then finally, whether you – I'm not sure about this, but my impression is that there is now a trend or it is being offered to the Russian consumer to buy draught beer in the off-trade. And I was wondering if you could comment a bit of what you're seeing there. Thanks.

<A - John Gavin Hudson>: Yeah, thank you very much for the questions; I'll answer them. The first and the third question are probably intertwined in a way. Certainly, we see the – let me just update you, the PET restriction isn't a full restriction, what it – what has been enforced is no volume above 1.5 liters to be sold in PET. So in actual fact, it's still PET in the market and we're proactive about that and resized and in actual fact reshaped our PET bottle, so we use the opportunity to have new models for the PET.

So, yes, there will be a slight impact on the PET because obviously, the volume's gone. But the reason we're suggesting the market will stay flat is because this volume will move to what we call DIOT which is the drought in off-trade, which is your third point. And what we see is a double-digit growth in that sector of the market and in actual fact, we see the consumer shifting from the PET to in actual fact PET once again. I just – what the transaction is that the PET is filled at point of sale, versus filled in the plant and it's filled through a draught dispensing type of equipment. And that's really why we see the market flat. Nielsen, unfortunately has not been reading that segment of the market as DIOT. So, we're now working with Nielsen to pick that up and I think you'll start seeing that come through in the next – hopefully in the next quarter.

<Q - Frans Høyer>: Okay.

<A - John Gavin Hudson>: In terms of the competitive landscape, I think we continue competing. Efes has become a very strong – well, become a clear number two competitor in the market and we see – we continue competing really from our perspective in the premium segment of the market and we have a very strong portfolio in that sector of the market and we're driving that aggressively.

Obviously the modern trade continues growing and we are fighting aggressively in the modern trade, but also trying to protect value in this segment of the market. So we're working very closely with the modern trade retailers to build the category and to an actual fact enhance the shopper and the consumer experience within that part of the market. But we – I think, from a competitive point of view, things will stay pretty much the same with Carlsberg being number one, ourselves number two and then obviously ABI and Heineken in third and fourth place. Does that answer your question, Frans?

<Q - Frans Høyer>: Yes. It does I guess, I mean the more sensitive issue of what happens to the competitive situation given your partner being part now of ABI is perhaps a bit premature to comment on?

<A - John Gavin Hudson>: Yeah. I think, and I'm sure there will be questions around ABI. And I think with the deal only having closed in October last year and really we've had our first engagement with ABI on two occasions which have been really a meet and greet of our new – of the new shareholders of Anadolu Efes. We will certainly explore opportunities as they present themselves, both operationally and then obviously from a portfolio perspective. But it is really very early days in terms of it.

<Q - Frans Høyer>: Okay. Thanks very much.

<A - John Gavin Hudson>: And we remain competitors, we certainly remain competitors in Russia.

<Q - Frans Høyer>: Okay. Thanks very much.

Operator

We have no other questions at this time. [Operator Instructions] Our next question comes from Walid Bellaha, Barclays. Please go ahead.

<Q - Walid Bellaha>: Hi, good afternoon. Thank you very much for the presentation. I have just a couple of questions. I see one of your financial priorities is to deleverage. So Coco-Cola, if you take – yesterday gave a guidance on the net leverage that they expect by year-end. I was just wondering whether you had any similar guidance for Efes Beer. And secondly, was just wondering whether you see any opportunity for any acquisitions in the sector.

<A - John Gavin Hudson>: I think let me answer, I'll leave the first question over to Onur – but let me answer the second question. At this point in time, if we look at from a Beer business perspective, they know, in the near future, they know acquisition opportunities that present themselves. And certainly, I think it's clear that from a CCI perspective, the team we're looking and [ph] they would have (31:36) given you feedback on that I'm sure yesterday at some opportunities. And once we've evaluated these, we will consider if they're good or not in terms of the best opportunity pool for ourselves [indiscernible] (31:51). Onur, you want to answer the first question around net leverage by year end.

<A - Onur Çevikel>: Yes, yes, yes, well, thank you very much for the question. Well actually what we have been guiding the market on our net leverage is that we are very cautious in managing our net debt-to-EBITDA ratios in the past three years. And as I said, we were able to keep them in a very good shape in the last couple of years where there had been the TL devaluation going ahead.

We're going to be still very cautious and we will manage our net debt-to-EBITDA. We're not giving a long-term or a short-term guidance on our net debt-to-EBITDA. But our aim is for sure going to be the same, making sure that we keep them in a good and satisfactory level.

<Q - Walid Bellaha>: Thank you very much.

Operator

Our next question comes from [indiscernible] (32:59), Goldman Sachs. Please go ahead.

<Q>: Hello, thank you for the presentation. My question is regarding the consumer sentiment and volume trends in the first quarter in both Turkey and Russia operations. Could you please provide a color on these, like did the first quarter volumes suffer or in line with your expectations? Thank you.

<A - John Gavin Hudson>: Sorry, you were breaking up during the question. Could you me maybe just rephrase the question for me, I didn't catch it clearly?

<Q>: Sorry. So, my question is regarding the consumer sentiment and volume trends in the first quarter in both Turkey and Russia operations. So could you please provide the color on this, did the first quarter volumes so far were in line with your expectations?

<A - John Gavin Hudson>: Yeah. So, I think very good question. Without getting into too much detail in terms of absolute volume performance, in Russia, the consumer sentiment is good. Obviously, we close off our financial year in December, so January is always an interesting start to the year, but we're comfortable that quarter one will be good for Russia. When we look at Turkey, the consumer sentiment – the consumer confidence is coming back, considering a really tough year. As you would have noted, I'm not sure if you're aware that there was an excise increase, which was pulled forward by a month in Turkey of 10%. And obviously, we believe – we took price [indiscernible] (34:26) that excess increase into the market.

From – January was again a difficult year for Turkey, but we saw a nice recovery in February. So I think for quarter one, we're fairly optimistic that we should be in line with our expectations in Turkey. And we are gauging the consumer sentiment and the consumer confidence. But we're certainly seeing an improvement and we're comfortable with that.

<Q>: Okay. Thank you.

Operator

Our next question comes from Hanzade Kilickiran, JPMorgan. Please go ahead.

<**Q - Hanzade Kilickiran**>: And thank you for the presentation. I had a question as a follow-up from Walid. He ask about potential acquisitions and you mentioned that there could be some discussion yesterday in Cola presentation about this. I was in the call; we didn't have such a kind of discussion. Would you please explain what are the potential markets that you can expand in the Soft Drinks business?

<**A - John Gavin Hudson**>: Yeah, I mean, the only thing that the business was having a look at and there's no clear direction with CCBA. But certainly, that is the long short and but they are evaluating CCBA. And if there is any potential, if there is potential distort and if it suits our business, we will investigate it further, but outside of that, there's nothing.

<**Q - Hanzade Kilickiran**>: All right. Okay. Thank you.

<**A - John Gavin Hudson**>: It's a pleasure.

Operator

We have a follow-up question from Walid Bellaha, Barclays. Please go ahead.

<**Q - Walid Bellaha**>: Hi. Sorry, two follow-up questions on my side. So just again on this CCBA, so just so I understand. If there were to be any acquisitions, would that be done at the sort of Efes level or is this something that you would consider or are we talking strictly about something that could be done at the [indiscernible] (36:32) level?

And the second question is regarding pricing, so I understand there have been some price increases in Turkey over the last four – over the last quarter. So was just wondering about your expectations in terms of price increases for 2017, how many price increases do you expect and what degree of price increase you were envisaging with your segments?

<**A - John Gavin Hudson**>: To answer the first and I'll ask Onur also to chip in on the CCBA. Certainly, it's very early in the analysis, so it'll be quite difficult for me to give any further indication on that. The team are looking at CCBA just at a structural perspective. We haven't even started evaluating [indiscernible] (37:20). So I think it will be premature to even comment on it. I'm not sure, Onur, if there's anything from your side.

<**A - Onur Çevikel**>: I think Gavin, that's what we can say. It's very early stages and it's yet very early to talk on hypothetical thing, how structurally that might happen. So I think it's quite early to talk about it now.

<**Q - Walid Bellaha**>: Okay. Thanks. And then Walid on your second, in terms of pricing, generally from the two big businesses, I suppose Russia, the excise increase has taken place and it was in line with our expectation. And we don't expect any other movement certainly in the balance of 2017. And from a Turkey perspective, there was – there are usually two increases, excise increases through the year and that's when we take pricing. The first being usually on the 1st of January, which was moved forward by a month or earlier by a month. And we've taken price and then generally in June, there is a second which is a far lower excise increase. And I think at the moments, it's in line. We're expecting it to be in line with our business planning processes. So yeah, we're not expecting anything else at this point in time. So if I understand well, there is no plan, for example, if FX cost starts to impact margins to increase prices on the segment.

<**A - John Gavin Hudson**>: Yeah. I think we'd obviously have to evaluate that. But at this point in time, I think we're fairly well hedged in Turkey and our current FX budget, I suppose, is in line with the performance of the market. So I think unless something really gets out of hand from here on, we probably won't be taking pricing outside of the excise increases I mentioned.

<**Q - Walid Bellaha**>: Okay. Understood, thank you very much.

<**A - John Gavin Hudson**>: Sure.

Operator

Our next question comes from Hanzade Kilickiran, JPMorgan. Please go ahead.

<Q - Hanzade Kilickiran>: Thank you. Sorry, I have another question regarding this potential opportunities. I think it's a little bit too much. But when you talk about CCBA, I mean it was up for a sale at a fairly high value. I mean, I don't know whether you are going to proceed or not, but hypothetically, if you decide to proceed on this, do you think Efes has a balance sheet capacity to buy such a kind of asset?

<A - John Gavin Hudson>: I think, Onur, do you want to comment on that?

<A - Onur Çevikel>: Yes. Well, thank you very much for the question. As we said, it is yet very early stages. So I think we will be commenting on this once the situation becomes more clear. So, we are not going to be commenting on the hypothetical things. We do think that Anadolu Efes on the other hand is a very good shape on the balance sheet part. So we have been managing our balance sheet proactively and we have been making sure that our balance sheet is managed well. And it is well managed at the end of the day. However, it would be too early or too immature for us to comment on a hypothetical issue right now, sorry for that.

<Q - Hanzade Kilickiran>: Thank you.

Operator

We have no other questions at this time. [Operator Instructions] We have no other questions. Mr. Hudson, back to you for the conclusion.

John Gavin Hudson

Yeah, I'd just like to thank everyone, thank you for the questions. And certainly, we are available, if there's any other issues in the near future and we look forward to our next session. Thank you very much and thanks to Onur and the team for arranging.

Onur Çevikel

Thank you very much.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.