

Anadolu Efes

Review of 4Q22 Financials

3/1/2023

BUY

Upside Potential 53%

Actuals vs Estimates

Results are in-line with the estimates: Anadolu Efes posted TL53mn of net income in 4Q22 (net loss of TL191mn in 4Q21), in-line with the market call (IS Investment: TL242mn, consensus: TL1mn). Consolidated revenues were slightly above both our and market estimate at TL22.4bn (IS Investment: TL21.6bn, consensus: TL21.8bn). Consolidated revenues went up by 105% y/y, driven by the strong performance of the soft drinks segment. Even though beer group EBITDA margin expanded by 200bps y/y, consolidated EBITDA fell short of the market call by 8% at TL2.95bn due to market's higher expectation for beer group's margins despite of CCOLA's EBITDA figure beating the estimates (IS Investment: TL3bn, consensus: TL3.2bn). We do not expect any significant market reaction to the results.

Improvement in the beer group margins continued but relatively weaker compared to 9M22: As announced earlier, beer group sales volume contracted by 18% y/y 4Q22 due to halted Ukraine operations and volume contraction in Russia. Despite of significant volume contraction thanks to price hikes both in international and Turkey operations, beer group revenues grew by 80% y/y to TL9.7bn in 4Q22. The FX-neutral growth was realized at 16%. International beer operations' revenue grew by 75% y/y to TL7.8bn while Türkiye beer sales revenues posted a strong 101% growth y/y to TL1.9bn in 4Q22 on the back of strong volume growth. Beer group gross margin improved by 392bps. Consolidated Net Debt/ EBITDA stands at 0.8x at the end of 4Q22.

2023 Guidance and dividend: Company foresees the beer group volumes to decline by low-single digit. And total beer group revenue is expected to grow by high-teens on FX-Neutral basis. Due to increased cost pressures, beer group EBITDA margin is expected drop by 300 bps and consolidated EBITDA margin is expected to decline 100-200bps. The Company also announced to propose to distribute TL1.262bn (TL2.13/share) gross dividends in the General Assembly meeting. The distribution date was disclosed as May 23rd. The dividend amount corresponds to 3.8% dividend yield.

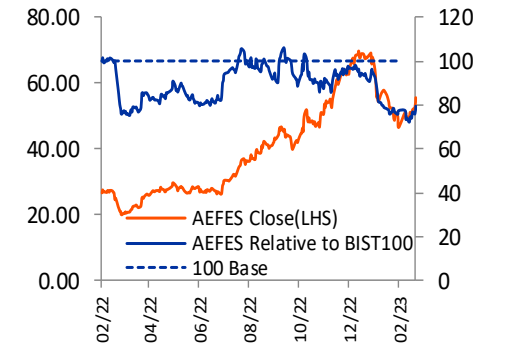
Maintain Buy with an increased TP: Based on our target price revision for CCOLA shares and revised beer group assumptions converging to company's guidance, we increase our target price for AEFES to TL85/share, indicating 53% upside potential. Solo beer group trades with 2023E EV/EBITDA of 3.6x, signaling a significant 61% discount compared to its international peers.

Stock Data	TL	US\$
Price	55.70	2.95
Target Price	85.00	3.54
Prev.TP	71.00	3.55
Mcap (mn)	32,980	1,745
Float Mcap (mn)	10,837	573
Avg.Daily Volume (3M, mn)	133.3	10.9
No. of Shares Outstanding (mn)		592
Free Float (%)		33
Foreign Share (%)		56

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	6.7	-17.8	145.6
US\$	6.2	-18.5	80.0
Rel.to BIST-100	1.4	-13.5	-8.7

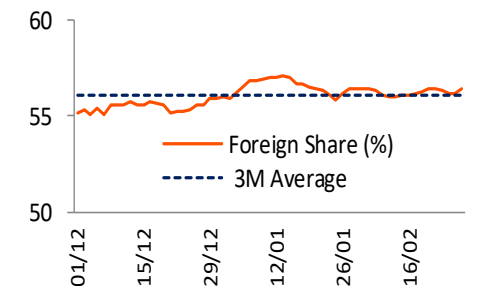
Multiples	2021	2022	2023
P/E	30.9	9.6	7.0
P/BV	1.8	1.3	1.1
EV/EBITDA	12.9	5.0	3.9

Price / Relative Price



52 Week Range (Close TL) 20.20 69.85

Foreign Share (%) Cur.(%) : 56.44



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Anadolu Efes

IFRS Income Statements (TL m n)	4Q21	1Q22	2Q22	3Q22	4Q22	12M21	12M22
Net Sales	10,951	13,769	24,536	29,767	22,432	39,284	90,504
Gross Profit	3,903	4,787	8,825	11,481	7,899	14,142	32,992
Operating Expenses	3,168	3,602	5,100	5,874	6,110	10,094	20,686
EBIT	735	1,185	3,724	5,607	1,789	4,048	12,306
Depreciation & Amortization	725	852	1,037	1,055	1,162	2,399	4,105
EBITDA	1,460	2,037	4,761	6,662	2,951	6,447	16,411
Non-Operating Income (Expense)	-109	-1,214	124	-1,016	-860	-245	-2,966
Operating Income (Expense) from Other	277	-513	929	-154	66	337	329
Profit (Loss) from Subsidiaries	-347	-53	-9	39	-120	-542	-144
Income (Expense) from Investing Activit	-59	-521	133	48	25	467	-316
Net Financial Income (Expense)	21	-126	-930	-948	-831	-508	-2,835
PBT	626	-29	3,848	4,592	929	3,803	9,340
Tax Income (Expense)	-684	-181	-1,379	-1,424	-315	-1,436	-3,298
Current Corporate Tax Income (Expense)	-193	-426	-977	-890	-137	-1,011	-2,431
Deferred Tax Income (Expense)	-491	245	-402	-533	-177	-425	-868
Net Profit After Tax	-58	-210	2,469	3,168	614	2,367	6,041
Profit After Taxes from Discontinued Oper	0	0	0	0	0	0	0
Minority Interest	140	-78	1,043	1,086	561	1,299	2,612
Net Profit	-198	-132	1,426	2,082	53	1,068	3,429

Growth & Profitability	4Q21	1Q22	2Q22	3Q22	4Q22	12M21	12M22
Growth							
Sales Growth (y/y)	71%	124%	136%	153%	105%	93%	130%
Opex Growth (y/y)	53%	96%	107%	124%	93%	94%	105%
EBIT Growth (y/y)	111%	914%	157%	221%	143%	74%	204%
EBITDA Growth (y/y)	62%	211%	137%	187%	102%	67%	155%
NI Growth (y/y)	-258%	-145%	243%	274%	-127%	55%	221%
Margins							
Gross Margin	35.6%	34.8%	36.0%	38.6%	35.2%	36.0%	36.5%
Opex to Sales	28.9%	26.2%	20.8%	19.7%	27.2%	25.7%	22.9%
EBIT Margin	6.7%	8.6%	15.2%	18.8%	8.0%	10.3%	13.6%
EBITDA Margin	13.3%	14.8%	19.4%	22.4%	13.2%	16.4%	18.1%
Net Margin	-1.8%	-1.0%	5.8%	7.0%	0.2%	2.7%	3.8%
ROE (Annualized)	7.1%	3.9%	8.6%	14.0%	14.1%	2.5%	14.0%
ROA (Annualized)	3.5%	2.2%	3.5%	4.7%	4.8%	0.9%	4.7%
Effective Tax Rate	109.3%	-626.9%	35.8%	31.0%	33.9%	37.8%	35.3%
Operating Cash Flow Margin	14.8%	5.6%	28.5%	12.3%	5.9%	20.5%	14.1%
Free Cash Flow Margin	-4.7%	-5.4%	24.2%	8.1%	-2.2%	5.8%	7.8%
Operational Cash Flow / EBITDA	111%	38%	147%	55%	45%	125%	78%

IFRS Cash Flow Statements (TL m n)	4Q21	1Q22	2Q22	3Q22	4Q22	12M21	12M22
Net Cash from Operations	1,624	774	7,004	3,673	1,318	8,073	12,770
Earnings Before Adjustments	-58	-210	2,469	3,168	614	2,367	6,041
Depreciation & Amortisation	725	852	1,037	1,055	1,162	2,399	4,105
Others	1,249	1,036	1,588	1,417	1,061	1,889	5,102
Change in Working Capital	-291	-904	1,911	-1,967	-1,519	1,418	-2,478
Cash from Investment Operations	-2142	-1523	-1069	-1272	-1806	-5790	-5670
Capital Expenditures	-1,322	-1,081	-1,068	-997	-1,785	-2,725	-4,931
Cash from Other Investment Operations	-820	-441	-1	-275	-21	-3,065	-738
Free Cash Flow	-518	-748	5,936	2,401	-488	2,283	7,101
Cash from Financial Operations	325	5,211	-850	1,165	-1,752	-2,125	3,774
Change in Financial Debt	226	6,119	947	678	-1,630	714	6,114
Dividends Paid	0	0	-1,417	-3	-29	-2,211	-1,450
Cash from Other Financial Operations	99	-908	-380	490	-92	-628	-890
Effect of Exchange Rate	1,215	800	601	1,609	-321	1,587	2,690
Net Change in Cash & Cash Equivaler	1,022	5,262	5,687	5,175	-2,560	1,745	13,565

IFRS Balance Sheet (TL mn)	4Q21	1Q22	2Q22	3Q22	4Q22
Current Assets	24,664	36,084	48,457	55,657	51,546
Cash and Cash Equivalents	10,334	16,151	22,238	27,278	24,628
Short-Term Trade Receivables	5,117	7,067	12,487	11,272	7,883
Inventories	5,903	8,408	10,623	12,713	14,096
Other Current Assets	3,310	4,458	3,109	4,394	4,939
Long Term Assets	60,849	61,606	85,170	87,108	81,812
Long-Term Financial Assets	1	1	1	1	1
Investments with Equity Method	0	0	1	1	1
Tangible Fixed Assets	21,297	22,056	28,364	29,071	28,329
Intangible Fixed Assets	36,669	35,887	52,445	53,578	48,877
Right of Use Assets (IFRS 16)	431	453	589	627	781
Other Long-Term Assets	2,451	3,208	3,771	3,830	3,823
Total Assets	85,513	97,690	133,627	142,765	133,358
Short Term Liabilities	24,521	30,593	46,732	48,316	42,031
Short-Term Financial Loans	6,475	9,213	13,277	14,749	11,870
Short-Term Trade Payables	12,634	16,148	22,584	22,157	20,033
Other Short-Term Liabilities	5,412	5,232	10,871	11,410	10,128
Long Term Liabilities	21,659	26,876	30,626	33,072	34,744
Long-Term Financial Loans	14,772	20,506	21,419	23,665	25,702
Other Long-Term Liabilities	6,887	6,371	9,207	9,407	9,042
Equity	39,332	40,221	56,269	61,377	56,582
Parent Share	18,715	18,967	25,138	27,897	25,596
Total Liabilities and S.Holders' Equity	85,513	97,690	133,627	142,765	133,358

Investments & Indebtness	4Q21	1Q22	2Q22	3Q22	4Q22
Net Capex	1,322	1,081	1,068	997	1,785
Capex to Sales	12.1%	7.9%	4.4%	3.3%	8.0%
Inflow (Outflow) for WCR (Cash Flow Sta	-291	-904	1,911	-1,967	-1,519
Change in WCR / Sales	-2.7%	-6.6%	7.8%	-6.6%	-6.8%
Net Debt (Cash)	10,912	13,567	12,458	11,137	12,945
Net Debt / EBITDA (Annualized)	1.7	1.7	1.2	0.7	0.8

Anadolu Efes

Shareholder Structure (%)

Ag Anadolu Grubu Holding Anonim Şirketi	43.1
Other	33.0
Ab Inbev Harmony Limited	24.0

Company Description

Anadolu Efes is Europe's 6th largest and the World's 14th largest beer producer in terms of sales volume, operating in Turkey, Russia, Ukraine, Kazakhstan, Moldova and Georgia. The Company also has 50.3% stake at Coca-Cola İçecek, the sixth-largest bottler in the Coca-Cola system in terms of sales volume, operating in 10 countries.

Income Statement (mn ₺)	2021A	2022A	2023E	2024E
Net Sales	39,284	90,504	128,032	164,412
Gross Profit (Loss)	14,142	32,992	44,190	56,860
Operating Expenses	10,106	20,686	28,614	36,254
Core Operating Profit	4,048	12,306	15,576	20,606
Non-operating Income (Exp.)	337	329	309	289
Net Financial Income (Exp.)	-508	-2,835	-3,189	-3,485
PBT	3,803	9,340	12,628	17,380
Tax Expense (Income)	1,436	3,298	4,459	6,768
Net Profit	1,068	3,429	4,725	5,713
Recurring Net Profit	1,067	3,430	4,725	5,713
NOPAT	2,612	9,008	11,116	13,837
EBITDA	6,447	16,411	21,484	28,141

Growth & Operating Perf.

Growth	2021A	2022A	2023E	2024E
Net Sales	47%	130%	41%	28%
EBIT	51%	204%	27%	32%
EBITDA	36%	155%	31%	31%
Net Profit	31%	221%	38%	21%

Operating Performance

Gross Margin	36.0%	36.5%	34.5%	34.6%
EBIT Margin	10.3%	13.6%	12.2%	12.5%
EBITDA Margin	16.4%	18.1%	16.8%	17.1%
Effective Tax Rate	37.8%	35.3%	38.9%	38.9%
Net Profit Margin	2.7%	3.8%	3.7%	3.5%
ROE	6.8%	15.5%	17.3%	18.4%
ROA	1.6%	3.1%	3.3%	3.5%

Ratio Analysis

Ratio Analysis	2021A	2022A	2023E	2024E
Adj. P / E (x)	30.9	9.6	7.0	5.8
EV / EBITDA (x)	12.9	5.0	3.9	2.9
EV / Sales (x)	2.1	0.9	0.6	0.5
P / B (x)	1.8	1.3	1.1	1.0
EPS (₺)	1.8	5.8	8.0	9.6
DPS (₺)	0.0	1.9	2.1	2.7
Dividend Yield	7.8%	6.1%	3.8%	4.8%
Net Debt (Cash) (mn ₺)	10,909	12,945	16,297	19,176
Net Debt / EBITDA (x)	1.7	0.8	0.8	0.7
Net Debt / Equity (x)	0.3	0.2	0.3	0.3

Source: Is Investment

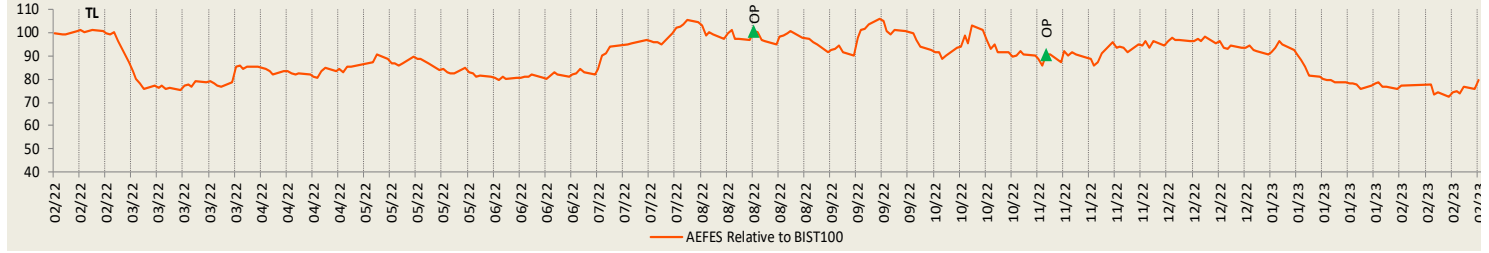
Balance Sheet (mn ₺)	2021A	2022A	2023E	2024E
Current Assets	24,664	51,546	61,735	76,101
Cash and Cash Equivalents	10,260	23,867	26,210	31,626
Short-Term Trade Receivables	5,117	7,883	10,616	14,037
Inventories	5,903	14,096	18,922	23,298
Other Current Assets	3,306	4,940	5,987	7,140
Long Term Assets	60,849	81,812	89,472	99,182
Tangible Fixed Assets	21,297	28,329	32,234	36,168
Intangible Fixed Assets	36,193	39,713	43,470	49,246
Other Long-Term Assets	2,883	13,769	13,766	13,766
Total Assets	85,513	133,358	151,207	175,283
Short Term Liabilities	24,521	42,031	50,568	61,727
Short-Term Financial Loans	6,475	11,870	14,400	18,807
Short-Term Trade Payables	12,634	20,033	25,292	31,247
Other Short-Term Liabilities	5,344	10,128	10,877	11,674
Long Term Liabilities	21,659	34,744	37,149	41,037
Long-Term Financial Loans	14,772	25,702	28,107	31,995
Other Long-Term Liabilities	6,409	9,042	9,042	9,042
Equity	39,332	56,582	63,489	72,519
Parent Shareholders Capital	18,715	25,596	29,059	33,190
Share Capital	592	592	592	592
Reserves and Other Items	17,055	21,575	23,742	26,885
Current Year Income (Losses)	1,068	3,429	4,725	5,713
Total Liabilities & Equity	85,513	133,358	151,207	175,283

Cash Flow (mn ₺)

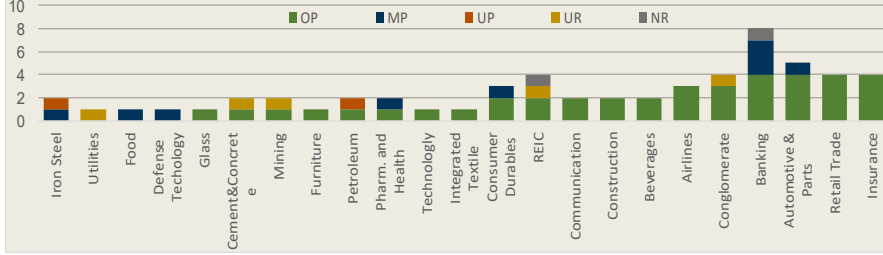
Cash Flow (mn ₺)	2021A	2022A	2023E	2024E
Net Cash from Operations	8,073	12,770	16,033	19,660
Earnings Before Adjustments	2,367	6,041	8,169	10,612
Depreciation & Amortisation	2,399	4,105	5,909	7,536
Change in Working Capital	1,418	-2,478	-2,299	-1,843
Other Operating Cash Flow	1,890	5,102	4,255	3,355
Cash from Inv. Operations	-5,790	-5,670	-15,027	-13,246
Capital Expenditures	-2,725	-4,931	-11,218	-13,246
Other Inv. Cash Flow	-3,065	-738	-3,809	0
Free Cash Flow	2,283	7,101	1,006	6,415
Cash from Fin. Operations	-537	6,464	577	-999
Change in Financial Debt	714	6,114	3,088	2,100
Dividends Paid	-2,211	-1,450	-1,620	-2,208
Other Financing Cash Flow	-628	-890	-891	-891
Net Change in Cash	1,745	13,566	1,583	5,415

Anadolu Efes

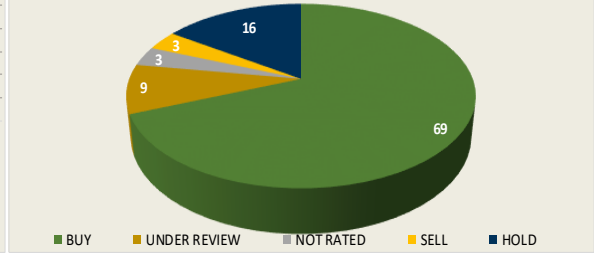
Relative to BIST 100 / Recommendations



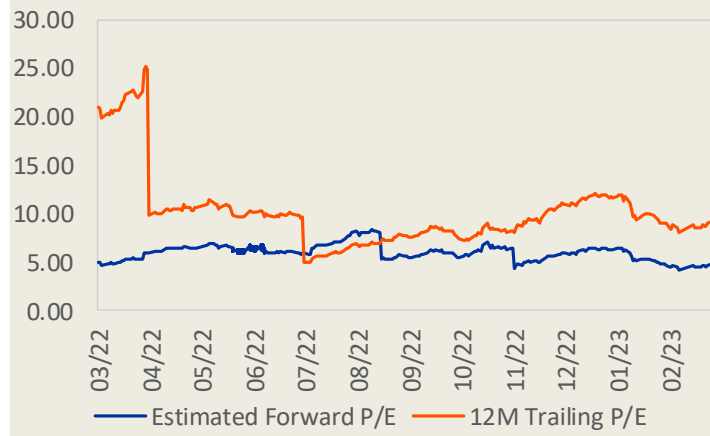
Number of Companies



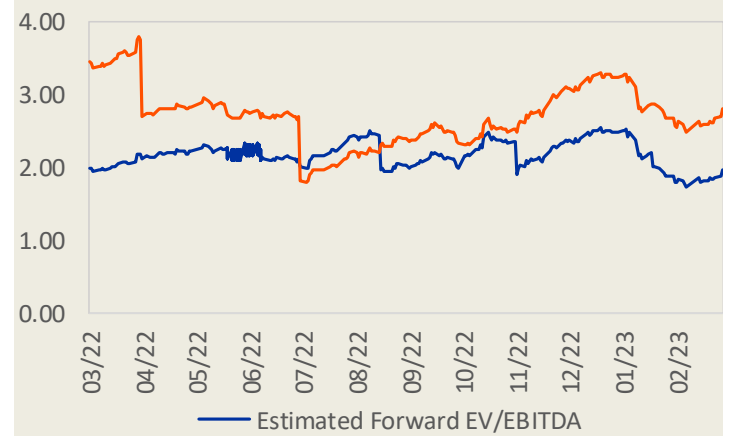
Rec. Breakdown for Coverage



Estimated Forward P/E & 12M Trailing P/E



Estimated Forward EV/EBITDA & 12M Trailing EV/EBITDA



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