

27th January 2021

Credit Rating

**Long-term (National):
(TR) AAA**

**Outlook:
Stable**

**Short-term (National):
(TR) A1+**

**Outlook:
Stable**

**Expiry Date:
27 January 2022**

AG Anadolu Grubu Holding A.Ş.

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Rating Summary

AG Anadolu Group Holding A.Ş. ("Anadolu Group" or "the Holding") is a holding company established by the Özilhan and Süleyman Kâmil Yazıcı Families to ensure the management of its subsidiaries in line with the principle of equal representation and equal management. Founded in 1950, Anadolu Group continues its operations in Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery, Quick-Service Restaurants, Energy and Real Estate through its subsidiaries.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Holding, as well as its domestic market position, the previous long-term rating of **(TR) AAA** and the short-term rating of **(TR) A1+** have been reconfirmed.

Previous Rating (January 27, 2020):

Long Term (TR) AAA

Short Term (TR) A1+

Outlook

With its establishment dating back to 1950, Anadolu Group has 66 production facilities in 19 countries and exports to over 80 countries. Among its portfolio of subsidiaries which operate in a wide range of industries like Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery, Quick-Service Restaurants, Energy and Real Estate are strong entities such as Anadolu Efes Biracılık ve Malt San. A.Ş. and Coca Cola İçecek A.Ş. which are market leaders in Turkey as well as in some of the countries in which they operate. Furthermore, the Holding and its subsidiaries operate on a global scale in partnership with strong international brands whose track record spans many years.

Increasing its proforma consolidated turnover by 21.5 percent to 51.7 billion TL in 2019, the total consolidated turnover of the Holding for 9 months in 2020 increased further by 18.9 percent compared to the same period of 2019 and resulted in 46 billion TL. It has been observed that the profitability performance of Anadolu Group has also increased in the analysed periods.

In addition to the positive improvements observed in the Holding's income statement, despite the increase in leverage, the consolidated net debt, as adjusted for IFRS 16, decreased by 12.5 percent to TL

11.2 billion compared to the end of 2018 while the Debt to EBITDA ratio decreased from 2.8 to 1.9. by the end of 2019. According to our current evaluation the improvement in the Net Debt to EBITDA ratio of the Holding, which has a strong cash position in its balance sheet, continued in 2020.

According to the independent audit report data, the net foreign currency position calculated as (-) 5.2 billion TL in 12/2019 was reduced to (-) 1.6 billion TL as of 09/2020. A major strength of the holding is its capacity to generate income from its overseas operations. As of the first 9 months of 2020, the share of international operations in total sales revenues is 30.9 percent (30 September 2019: 31.9 percent). The share of EBITDA generated from foreign operations in total EBITDA was calculated as 39.6 percent (30 September 2019: 33.8 percent).

In December 2020, Anadolu Group was included to the BIST Sustainability Index whose constituents are companies with a high grade of corporate sustainability performance among all the listed companies in Borsa Istanbul.

Based on the considerations above, also taking into account its strong ownership structure, the Holding's outlook has been evaluated as "**Stable**". However, the recent extraordinary developments in the global trade environment and money markets in relation to the Covid-19 epidemic make the potential economic consequences of the pandemic still uncertain. The developments are closely monitored and their possible effects on the Company will be further evaluated.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections contributing to the final grade with specific weights. The quantitative analysis components consist of the Company's performance compared to industry peers, analysis of the financial risks, and the assessment of cash flow projections. Comparative performance analysis determines the relative position of the company as compared with industry peers' financial performances and industry averages. The financial risk analysis of our methodology covers the evaluation of the Company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis evaluates the Company's performance with respect to its capability to fulfill its obligations under the future projections of a base and a stress scenario.

The qualitative analysis covers operational issues such as industry and company risks as well as administrative risks in the context of corporate governance practices. The industry analysis evaluates factors like the nature and rate of growth of the industry, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. The company analysis evaluates market share and efficiency, trends and volatilities in key performance indicators, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships if any.

Corporate governance plays an important role in our methodology. Our methodology consist of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

Our long-term credit ratings reflects our present opinion regarding the mid to long term period of one year and above; Our short term credit ratings reflects our opinion regarding a period of one year. Our long term credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered “investment worthy” by the market.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

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This report, edited by SAHA A.Ş. analysts based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the overall credibility of the institutions and/or debt instruments they have issued. The contents of this report and the final credit rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment decisions or other purposes.

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