



27 January 2022

Credit Rating

Long-term (National):

(TR) AAA

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

27 January 2023

AG Anadolu Grubu Holding A.Ş.

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AG ANADOLU GRUBU HOLDİNG A.Ş.

Rating Summary

AG Anadolu Grubu 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 through its subsidiaries in the sectors of Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery, Quick-Service Restaurants and Energy.

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

Previous Rating (January 27, 2021):

Long Term: (TR) AAA

Short Term: (TR) A1+

Outlook

With its establishment dating back to 1950, Anadolu Group is a conglomerate operating 86 production facilities in 19 countries and exports to over 80 countries. The Holding is active in Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery, Quick-Service Restaurants and Energy industries. The subsidiary portfolio of Anadolu Group include affiliates such as Anadolu Efes Biracılık ve Malt San. A.Ş. and Coca-Cola İçecek A.Ş., market leaders in the domestic market as well as in a number of other countries in which they operate. In addition, the Holding's global activities span a wide geographical area, through its subsidiaries and its partnerships with strong multinational companies which have been going on for many years.

Increasing its pro-forma consolidated turnover by 21.5% to TL 62.1 billions in 2020, the total consolidated turnover of the Holding for the first 9 months of 2021 increased by 29.6% to TL 59.3 billions compared to the same period of 2020. Migros started to be accounted in the full consolidation as of December 2019 and the procedures for determining respective fair values were completed. The net profit recorded for 2019 was TL 197.5. millions, excluding the net profit effect of the fair value (TL 862 millions). The net profit as of end-2020 was TL 613.4 millions, an increase of 210.7%. As of September 2021, it was TL 3.3 billions with an increase of approximately 5 times compared to the same period of the previous year (The share of the main shareholders in the profit resulting from the sale of group subsidiaries AND Anadolu Gayrimenkul Yatırımları

A.Ş. and Migros Macedonia operations was TL 588 millions).

In addition to the improvement witnessed in the main categories of the income statement, despite the relative increase in leverage during our rating study's basis period of 2020, a net debt decrease of 11.9% down to TL 12.9 billions for the year 2020 and a decrease of 4.2%¹ down to TL 12.6 billions as of the third quarter of 2021 compared to the same period of the previous year was observed. The above, along with an EBITDA² increase of 28.0% as of end of 2020 compared to the previous year have contributed to a positive evaluation overall. As of the 3rd quarter of 2021, EBITDA increased by 29.4% compared to the same period of the previous year.

¹ The amount recalculated with the IFRS 16 adjustment effect of Migros

² EBITDA = Net Operating Profit + Depreciation

The net FX position, which was calculated as TL (-) 640 millions at the end of 2020, increased to TL (-) 2.1 billions in September 2021. On the other hand, the Holding has the capacity to generate income from its foreign operations and has "hedged" a significant part of its net foreign currency position, especially in the last 3 years, in order to protect itself against exchange rate increases. As of end-2020, the share of international operations in total sales revenues was 29.7% (2019: 30.5%). As of September 2021, this rate stood at 32.9% (September 2020: 30.5%).

In addition to all the above-mentioned factors, considering the Holding's product/service diversity, its strong ownership structure, its ability to access finance, its distributed risks in face of the extraordinary developments in global trade and money markets as a consequence of the Covid-19 outbreak, the Holding's outlook has been determined as "**Stable**".

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections to affect the final note with specific weights. Quantitative analysis components consist of SAHA Score (Company's distance from the point of default), its performance compared to the sector, analysis of the financial risks, and the assessment of cash flow projections. Default point analysis measures the distance from the point of default and it is based on relevant sector firm's past financial performance, ratios derived from distinctive default statistics, and statistically derived coefficients. This analysis is based on genuine statistical study of SAHA, covering companies in Turkey. Comparative performance analysis of the sector determines the position of the company concerned in comparison with the sector firms' recent financial performances. Financial risk analysis 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 tackles the company's future base and stress scenario projections subject to scrutiny in the context of the firm's financing tool and assesses the risks of fulfillment of obligations.

Qualitative analysis covers operational issues such as sector and company risk as well as administrative risks in the context of corporate governance practices. Sector analysis evaluates the nature and rate of growth of the sector, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. Company analysis discusses market share and efficiency, growth trend, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships.

Corporate governance plays an important role in our methodology. Our methodology consists 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 reflect 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 -erm 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

This Credit Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) in collaboration with AG Anadolu Grubu Holding A.Ş. and is based on information disclosed to the public by AG Anadolu Grubu Holding A.Ş.

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