



3rd May 2023

Credit Rating

Long-term (National):

(TR) AAA

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

3rd May 2024

AG Anadolu Grubu Holding A.Ş.

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AG ANADOLU GRUBU HOLDİNG A.Ş.

Rating Summary

AG Anadolu Group Holding A.Ş. ("Anadolu Group" or "the Holding") is a holding company established by the Özlhan 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 Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery and Energy sectors.

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.

Since end of 2022 data had not yet been announced at the previous rating date, a re-evaluation has been made in this report including the end of 2022 data.

Previous Rating (January 27, 2023):

Long Term: (TR) AAA

Short Term: (TR) A1+

Outlook

With its establishment dating back to 1950, Anadolu Group has 86 production facilities in 19 countries and exports to over 100 countries. Through its subsidiaries, the Holding operates in the Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery and Energy industries. The subsidiary portfolio of Anadolu Group includes companies such as Anadolu Efes Biracılık ve Malt San. A.Ş. and Coca-Cola İçecek A.Ş., market leaders in a number of other countries in which they operate, as well as in Turkey. In addition, the Holding operates globally in a wide range of geographical areas through its subsidiaries. The cooperation it has undertaken with strong multinational companies has been going on for many years.

Having increased its consolidated turnover by 118.7% to TL 178.0 billion in 2022, the Holding's net profit at the end of 2022 increased by %184,3 and reached TL 10.1 billion (2021: TL 3.5 billion). At the end of 2022, the net profit of the parent company increased by %194,5 and reached TL 3.8 billion (2021: TL 1.3 billion). Adjusted for one-off income/expenses, net profit increased by %327,3 to TL 3.0 billion. The aforementioned one-time income/expenses-free net profit has been derived by adjusting against the subsidiary profits obtained from the sale of a Holding subsidiary AND Anadolu Gayrimenkul Yatırımları A.Ş. in 2021 (TRY 460 million), and that of Migros Macedonia operations (TRY 128 million), as well as adjusting the impairment expense on beer operations at the end of the third quarter of 2022 (TRY 147 million) and accounting for total net effects from revenue/expenses of the sale of McDonald's (TRY 928 million).

The company continues its investments by means of its positive operational cash and also generates residual free cash. In addition to the improvement observed in the main items of the income statement, the net debt of the Holding at the end of 2022 decreased by 7.6% compared to the end of the previous year and reached TL 17.2 billion (2021: TL 18.6 billion). In addition, the decrease in the Net Debt/EBITDA ratio to 0.7 has been considered a positive factor. The Company's EBITDA increased by 139.5% at the end of 2022 compared to the end of the previous year.

According to the Holding's Independent Audit Report data, at the end of 2022, the net foreign currency asset/liability position was (+) recorded as TL 4.1 billion. It has been observed that 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 recent years, in order to protect itself against exchange rate volatility. As of the end of 2022, the share of foreign operations in total sales revenues has been 36.9% (2021: 33.8%).

In addition to all of the above-mentioned factors, considering the Holding's distributed risks in its product/service diversity, its financing access and its strong ownership structure, and despite the recent extraordinary developments in the global trade environment and money markets, Anadolu Group's outlook has been confirmed 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

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