SAHA
Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri

03 May 2024

Credit Rating

Long-term (National):

(TR) AAA

Outlook:
Stable

Short-term (National):

(TR) A1+

Outlook:
Stable

Expiry Date:

03 May 2025

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") was founded in 1950 by the Özilhan and Süleyman Kâmil Yazıcı families. The Holding operates in 20 countries with 72 subsidiaries, 4 joint ventures, 2 affiliates, 90 production facilities, 6 R&D centers, and 71,587 employees in 7 sectors: Beer, Soft Drinks, Retail, Agriculture, Automotive, Stationery and Energy.

Following our comparative analysis of the sector[1] 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 (May the 3rd, 2023):

Long Term: (TR) AAA

Short Term: (TR) A1+

Outlook

With its roots dating back to 1950, Anadolu Group has established collaborative partnerships with internationally recognized local and foreign institutions thanks to its know-how and strong network presence. Alliances with the world's leading brands and companies such as AB InBev, The Coca-Cola Company, Faber-Castell, Isuzu, Kia, Honda, Honda Marine, Kohler, and Johns Hopkins Medicine enables Anadolu Group to act in line with its mission of being a multinational and entrepreneurial group. Looking at the Holding's shareholding structure, "AG Sınai Yatırım ve Yönetim A.Ş." is the controlling shareholder with a 48.65% stake, and the remaining 51.35% is publicly traded on the BIST exchange under the ticker symbol "AGHOL".

In accordance with the decision taken by the Public Oversight, Accounting and Auditing Standards Authority (POA), companies applying Turkish Financial Reporting Standards (TFRS) are required to present their financial statements for the annual reporting period ending on or after December 31, 2023 adjusted for the effects of inflation in accordance with the relevant accounting principles. In this context, the annual financial statements of Anadolu Group for 2023 and 2022 have been adjusted for inflation.

The Holding's consolidated turnover in 2023 increased by 17.5% compared to 2022 and amounted to TRY 375.6bn. Migros is the largest consolidated revenue contributor, accounting for 48.4% of 2023 revenue (2022: 43.9%). The Holding's net profit at the end of 2023 increased by 32.2% to TRY 49.3bn (2022: TRY 37.3bn). As of FYE2023, the net profit attributable to equity holders of the parent increased by 25.6% y-o-y to TRY 19.6bn (2022: TRY 15.6bn). In terms of sectoral breakdown of the Holding's parent company net profit, Beer has 27% share, Soft Drinks and Migros 23%, Automotive 13%, and Others 14%. In 2023, Anadolu Etap consolidation change had a positive impact (TRY 626mn) on the parent company's net income. In 2022, Beer operations impairment loss (TRY 242mn) and McDonald's gain on sale (TRY 1.1bn) had an impact on tparent company's net income. After these adjustments, and excluding the non-recurring income/expense, the net income increased from TRY 14.7bn in 2022 to TRY 19bn in 2023.

With the positive operating cash flow, the Holding continues to invest and generate free cash. In addition to the improvements in the main items of the income statement, the net financial liability at the end of 2023 decreased by 17.9% compared to the end of the previous year to TRY 23.2bn (2022: TRY 28.3bn). Moreover, the decline in the Net Financial Liability/EBITDA[2] ratio to 0.7x has been evaluated as a positive factor. The Company's EBITDA increased by 10.7% at the end of 2023 compared to the previous year-end.

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[1] In the sectoral peer comparisons, the inflation adjusted independent audit reports have been taken into account.

[2] EBITDA= Net Operating Profit + Depreciation

According to the Holding's Independent Audit Report, the net foreign currency asset/liability position was (+) TRY 17.1bn at the end of 2023. Anadolu Group has the capacity to generate revenue from its foreign operations and has “hedged” a significant portion of its net foreign currency position to protect against exchange rate increases, especially in recent years. As of FYE2023, the share of international operations in total sales revenue was 27.4% (2022: 34.7%).

In addition to all the factors mentioned above, the Holding's product/service diversity, ability to access financing and strong ownership structure, a distributed risk structure in the current economic environment, have been taken into consideration and the Company's outlook has been confirmed as **“Stable”**. The results of the developments in the local and global money and capital markets are being monitored and their possible effects on the Holding will be evaluated during the surveillance period.

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. According to the structured finance regulation, for asset backed securities, the top three rating degrees represent "investment worthy" securities.

Short Term	Long Term	Rating Segment	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	First Degree	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	Second Degree	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+	Third Degree	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Fourth Degree	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-	Fifth Degree	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-	Sixth Degree	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-	Seventh Degree	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	Default	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.

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.

SAHA A.Ş. has embraced and published the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies on its web site (www.saharating.com) and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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