

Asahi Group Holdings, Ltd.
Fiscal 2022 Q2 Financial Results Conference Call Summary

Date: Wednesday, August 10, 2022

15:30-17:00 Japan Standard Time

Speaker: Kaoru Sakita

Director and Executive Officer, CFO

◆**Revenue and Core Operating Profit (constant currency basis)** (P16)

- Total revenue in the first half rose 8.6% year on year, as sales in all businesses increased, mainly due to the recovery from the impact of the pandemic, particularly in the on-premise sector.
- Total core operating profit decreased 1.7%. This was due to significant cost increases including for raw materials, utilities, and other expenses, despite efforts to streamline costs, and the impact of increased sales and improved unit prices.
- Although we don't disclose first-half business performance forecasts, core operating profit was largely in line with our internal forecast due to strengthening of cost increase countermeasures, despite revenue being below our forecast due to resurgences of Omicron cases.
- In light of first-half progress in each region and other factors, full-year total revenue is expected to be 71 billion yen below the initial forecast. The forecast is now for a 7.3% year-on-year increase.
- We've revised the initial forecast for total core operating profit down 9.7 billion yen due to factors including time lags in the impact of price increases mainly in Europe. The forecast is now for a 6.9% year-on-year increase. We'll make further efforts to improve cost efficiency, and also enhance unit prices through price increases etc. in each region.
- On an actual currency basis, first-half core operating profit was up year on year. In light of the depreciation of the weaker yen, we have left the full-year forecast for both revenue and core operating profit unchanged from

the initial forecast. The forex impact and other information for each region is provided for your reference on pages 26 and 27.

- On page 28 we have also provided information on the extent of the recovery indicated by our full-year performance forecasts for our three main regions compared to pre-pandemic performance in 2019. Please also refer to this later.

◆ Operating Profit and Profit Attributable to Owners of Parent (P17)

- First-half operating profit declined 25.6% year on year to 81.4 billion yen, mainly due to the dropout of the "gain on sale of non-current assets" in the previous year and impairment loss associated with SCM reorganization in Japan. Profit attributable to owners of parent also decreased, declining 28.1% year on year to 57.0 billion yen.
- Adjusted profit attributable to owners of parent, which excludes special factors such as losses due to SCM reorganization, decreased 16.4% year on year to 66.3 billion yen.
- These two profit lines are tracking ahead of targets partly due to a "gain on sale of non-current assets" with the sale of non-operating assets, and an improvement in "financial income or loss" due to debt reduction. Although we've revised the weighting of individual items within the forecast, we've left the initial overall forecast unchanged.

◆ Balance Sheet and Cash Flow Overview (P18)

- As for the full-year balance sheet forecast, total assets are now expected to be 4.7 trillion yen, 200 billion yen higher than the initial forecast, due to increases in goodwill and trademark rights as a result of yen depreciation.
- As for full-year cash flow targets, although we've revised our performance forecast downward, we're aiming for free cash flow of 215 billion yen, in line with our initial forecast, through further cash generation mainly from the sale of non-operating assets and investment securities. We also intend to repay interest-bearing debt in line with our initial plan since first-half repayments exceeded the initial targets.

- We've also left the initial annual dividend forecast unchanged at 111 yen per share, an increase of 2 yen from the previous year, based on our policy of stable dividend increases targeting a dividend payout ratio of 35%.

◆Japan (P19)

- Total first-half revenue increased 7.9% year on year, driven mainly by a recovery in on-premise sales in the Alcohol Beverages Business and strengthening of the *Asahi Super Dry* brand.
- Total core operating profit increased 0.1% year on year, due to strong performance by the Alcohol Beverages and Food businesses which offset reduced profit in the Non-Alcohol Beverages Business due to higher raw materials costs.
- Although revenue was slightly below forecasts due to a delayed recovery in on-premise sales in the Alcohol Beverages Business, core operating profit was in line with forecasts mainly due to strengthened cost increase countermeasures in all businesses.
- While we've left the initial forecasts for the Non-Alcohol Beverages and Food businesses unchanged, the overall full-year forecast has been revised down 14.1 billion yen in light of the Alcohol Beverages Business's first-half progress.
- We've left the overall core operating profit forecast of a 7.6% year-on-year increase unchanged despite expected additional cost increases, mainly in light of price increases planned for October, and streamlining of all fixed costs.

◆Japan (Alcohol Beverages: Revenue/Sales Volume) (P20)

- In the first half, total beer-type beverage revenue increased 14.5% year on year due to a recovery in on-premise sales and strong sales of canned beer, despite a decline in new genre sales.
- We've revised the total full-year revenue forecast upward to a 13.2% year-on-year increase due to improved sales momentum for canned beer, a recovery in on-premise demand, and the impact of price revisions.

- In categories other than beer-type beverages, whisky and spirits, wine, and non-alcohol beer/RTDs were up year on year, while other categories were down mainly due to market slowdowns. Full-year forecasts have been revised mainly in light of sales progress and market trends for each category.

◆Japan (Alcohol Beverages: Breakdown of Changes in Profit) (P21)

- Factors affecting first-half profit included increased variable costs such as secondary ingredients and cans, and increased sales promotion expenses due to aggressive investment in value enhancement for core brands. However, the positive impact of increased sales, mainly of beer, and the streamlining of other fixed costs, resulted in a 11.5% year-on-year increase.
- Despite expected additional cost increases, we're aiming to reach the initial full-year forecast of a 10.2% year-on-year increase in core operating profit, mainly by streamlining all fixed costs, including sales promotion expenses.

◆Japan (Non-Alcohol Beverages: Sales Volume, Revenue) (P22)

- First-half sales volume increased 2.8% year on year, mainly due to strong sales of carbonated and lactic acid beverages. Revenue increased only 0.5% year on year, mainly due to decreased coffee beverage sales and other factors leading to unit price deterioration.
- For the full year, we're aiming for a 4.5% year-on-year increase in sales, in line with our initial forecast. We're aiming to do this by strengthening existing products with focus on core brands, expanding sales of extension products, and price revisions.

◆Japan (Non-Alcohol Beverages: Breakdown of Changes in Profit) (P23)

- Factors affecting first-half profit included increased sales, improved category mix, and efforts to increase capacity utilization and review fixed costs. Negative factors such as additional cost increases for raw materials such as sugar, however, resulted in an 18.8% year-on-year decrease overall.
- Although we're expecting further variable cost increases, we're aiming for a 0.2% year-on-year increase in profit for the full year, in line with our initial forecast. We're aiming to do this by streamlining all fixed costs, leveraging

increased sales, and improving the product mix.

◆ Europe (P24)

- Revenue, in the top row, increased 17.6% year on year due to increased sales volume, especially in the premium category, and improvement in the channel mix and the effect of price increases, which accompanied a significant recovery in the on-premise category.
- Core operating profit increased 4.9% year on year, as additional variable cost increases were offset mainly by increased sales and strengthened cost management.
- Sales volume, revenue, and core operating profit are tracking slightly below targets due to market environment changes and additional cost increases that diverged from our initial assumptions.
- We've revised our full-year revenue forecast downward in light of factors such as first-half progress with sales volume. We're still aiming, however, for a 16.5% year-on-year increase in revenue through product mix improvement and additional cost pass-throughs, and by working to expand sales with a focus on the strongly performing premium category, including global brand and non-alcohol products.
- Despite increased sales, we've revised our core operating profit downward to a year-on-year decrease of 3.7% due to factors such as a time lag between additional cost increases and measures to counter them such as price increases.

◆ Oceania (P25)

- Total first-half revenue increased 2.8% year-on-year mainly due to strong sales of "contemporary beer" in the Alcohol Beverages Business, expanding sales of sugar-free beverages in the Non-Alcohol Beverages Business, and the impact of the consolidation of Allpress.
- Core operating profit decreased by 2.3% year on year due to increased raw materials costs and logistics expenses, despite increased sales and the streamlining of sales promotion expenses and fixed costs, and other such

efforts.

- Note, however, that both revenue and core operating profit are tracking in line with forecasts.
- A portion of the New Zealand export business has been transferred to the European business. When excluding the impact of this transfer, the initial forecast for core operating profit remains unchanged.
- In the second half we expect to achieve a significant increase in profit, partly due to the absence of the lockdowns seen in the second half of last year. We aim to achieve our targets through efforts such as generating additional integration synergies, and improving the channel mix and expanding sales in the premium category in line with the recovery of the on-premise market.