

Asahi Group Holdings, Ltd.
2023 Financial Results Briefing: Summary of Conference Call (2)

Date: Wednesday, February 14, 2024, 15:30-17:00

Presenter: Kaoru Sakita, Director EVP and CFO

◆ Revenue/Core Operating Profit (Constant Currency Basis) (P21)

- Total revenue rose by a higher-than-expected 6.8% YoY to JPY 2.7691 trillion in 2023, with revenue increasing across all businesses as successful pricing strategies and ongoing premiumization strategy led to an improvement in unit sales prices.
- Core Operating Profit expanded by 3.9% YoY to JPY 263.7 billion. While the Group was impacted by the large increase in raw materials prices and other variable costs, higher revenue and improved individual cost efficiencies supported the stronger-than-expected overall profit gain.
- Regarding the forecasts for 2024 listed in the right-hand side of the table, we aim to increase revenue by 3.6% YoY by further increasing unit sales prices in each region.
- On the profit front, we do expect variable costs to continue to rise and marketing investment and labor costs to increase in 2024. However, we forecast Core Operating Profit will expand by 4.2% YoY on the back of higher revenue and stronger cost management.
- If we include the impact of exchange rate movements in our 2024 forecasts, revenue is expected to rise by 2.6% YoY and Core Operating Profit is seen expanding by 2.8%. The impact of exchange rate movements in each region is provided for your reference on pages 27 and 28.

◆ Operating Profit/Profit Attributable to Owners of Parent (P22)

- The operating profit total and subsequent figures in the table incorporate the foreign exchange impact. Operating profit increased by 12.9% YoY in 2023 in the absence of any similar impairment losses associated with supply chain management (SCM) reorganization in Japan that were recorded in 2022.
- Profit attributable to owners of the parent also expanded by a higher-than-expected

8.3% YoY. Meanwhile, adjusted profit, excluding impairment loss and other items, increased 0.1% YoY to JPY 165.6 billion.

- Looking ahead to 2024, we forecast a 11.4% year-on-year expansion in operating profit on the back of anticipated gains from the sale of fixed assets linked to efforts to optimize logistics bases as part of the SCM restructuring in Japan. We also expect to generate a 16.1% increase in profit attributable to owners of parent.
- Meanwhile, adjusted profit attributable to owners of parent, which excludes the impact of the SCM restructuring, etc., is expected to expand by 6.3% YoY to JPY 176.0 billion.

◆ Summary of Statement of Financial Position/Statement of Cash Flow (P23)

- At the end of 2023, total assets had increased by JPY 455.6 billion compared to the end of 2022 to JPY 5.2859 trillion as goodwill and trademark rights rose on the back of a weaker yen.
- Interest-bearing debt decreased by JPY 86.5 billion to JPY 1.4108 trillion. While the weaker yen inflated foreign currency-denominated debt in yen terms, we worked hard to repay interest-bearing debt by generating cash through higher Core Operating Profit and improved working capital.
- In 2024, we expect Net Debt/EBITDA to decline to approximately 2.7x, which would be within the guidelines set forth in our medium- to long-term management policy. This would be done by creating JPY 225.0 billion in free cash flow primarily by increasing Core Operating Profit and prioritizing the repayment of debt.
- In addition, we plan to pay an annual dividend of JPY 132 per share in 2024, which represent a year-on-year increase of JPY 11 in the dividend and would result in an adjusted dividend payout ratio of 38.0%.

◆ Japan (P24)

- Revenue expanded by a higher-than-expected 4.7% YoY in 2023 thanks primarily to the recovery of the on-premise in the Alcohol Beverages Business as well as the impact of our pricing strategies in each business.
- Core Operating Profit increased by a higher-than-expected 9.8% YoY. Despite the

drag caused by higher variable costs, Core Operating Profit rose on the back of higher revenue, which fueled profit growth at each operation based primarily on higher revenue in the Alcohol Beverages Business.

- For 2024, we forecast overall revenue growth of 1.1% YoY. While we expect a slight decline in revenue from the Food Business as we narrow down the number of SKU, overall revenue is still expected to expand on the upward impact of price revisions in the Alcohol Beverages Business and Non-Alcohol Beverages Business.
- Our aim is to increase Core Operating Profit by 1.9% YoY in 2024. While we anticipate a decline in the Other/Elimination in Segment measure caused by increased DX investment and other factors at Asahi Group Japan, higher revenue and cost efficiencies at each business are expected to offset any rises in variable costs and labor costs.
- Please note that we intend to stop disclosing the current detailed breakdown in changes in Core Operating Profit for the Alcohol Beverages Business and Non-Alcohol Beverages Business from 2024 following changes in our management approach and transition to a regional headquarters framework. From now on, we will disclose only actual results under three regional units: Japan, Europe, and Oceania. We ask for your understanding regarding this change in our disclosure format.

◆ Europe (P25)

- In 2023, total sales volume declined by approximately 3% YoY due to the impact of ongoing inflation but actual revenue increased by 8.3% YoY on the back of pricing strategies and stronger premium category products.
- Core Operating Profit contracted by 1.0% YoY. While higher unit sales prices and an improved product mix did have a positive impact, the increase in variable costs along with higher labor costs and other fixed costs resulted in a lower-than-expected Core Operating Profit result.
- For 2024, we are targeting year-on-year revenue growth of 7.6% by promoting premium products such as premium beer and non-alcohol beer* at domestic and global brands and seeking to improve unit sales prices through price revisions and other measures.

- We aim to increase Core Operating Profit by 1.3% YoY in 2024. While logistics costs are expected to rise along with marketing costs and labor costs, overall Core Operating Profit is expected to rise on the back of improved product mixes and higher resultant revenue.

◆ **Oceania** (P26)

- Overall revenue increased by a higher-than-expected 9.1% YoY in 2023 thanks to sales volume growth centered around *Great Northern* and other main brands, the recovery of the on-premise, successful pricing strategies, and other factors.
- Core Operating Profit expanded by 0.8% YoY despite significant increases in variable costs, thanks to the higher revenue generated by improvements in our mix of products and by greater cost efficiencies.
- In 2024, we aim to boost revenue 6.3% YoY by expanding sales volumes and improving unit sales prices through the aggressive development of main brands alongside high value-added categories such as flavored beer and RTD.
- Despite expected increases in variable costs and marketing expenses, we aim to increase Core Operating Profit by 9.9% YoY in 2024 as improved product mixes boost sales and we generate greater cost efficiencies in production and logistics.

*Alcohol-free alcohol-tasted (flavored) beverages