

February 15, 2021

Asahi Group Holdings, Ltd.

Fiscal 2020 Financial Results Conference Call

Date & Time: Monday, 15th February, 2021

15:30-17:00 Japan Standard Time

Speakers: Akiyoshi Koji, President and Representative Director, CEO

Atsushi Katsuki, Senior Managing Director, CFO

◆ Overview of Business for 2020 & Business Strategy for 2021

<Financial Results Highlights> (P10)

- Looking at 2020 revenue, although revenue increased in the Overseas Business due to the impact of the consolidation of the CUB business from June, revenue declined in the three domestic businesses due to the impact of the COVID-19 pandemic. Overall, revenue declined 2.6% year on year to ¥2,034.6 billion.
- Looking at core operating profit, despite the consolidation of the CUB business, total core operating profit declined 21.1% year on year to ¥168.1 billion, due to the revenue decline in existing businesses and the worsening of the channel mix. Meanwhile, core operating profit in each business exceeded our targets, particularly in the Overseas Business, and total core operating profit exceeded our forecast by ¥19.9 billion.
- In 2021, we expect revenue to increase 12.1% year on year, to ¥2,272.2 billion. In addition to the impact of the CUB business consolidation from January through May, we expect each business to recover to a certain degree from the impacts of the COVID-19 pandemic.
- In 2021, we are targeting a total core operating profit of ¥214.3 billion, a 27.7% year-on-year increase, due to steady increases in each business, particularly in the Overseas Business.
- We expect a ¥6.5 billion increase in “Adjustment (corporate and elimination)”, which includes Asahi Group Holdings expenses. The expected increase is due to scheduled investments to “Enhance management resources” in line with the Medium-Term Management Policy. This will include investment in digital transformation, R&D expenses, and global marketing. The operating environment is challenging, but we intend to continue to strengthen our initiatives targeting sustainable growth.

- Looking at our 2021 results forecasts based on financial results on an actual currency basis, we expect both revenue and core operating profit to exceed the pre-pandemic 2019 results due to the consolidation of the CUB business and other factors.

<Operating Profit/Profit attributable to owners of parent> (P12)

- Operating profit declined 32.9% year on year to ¥135.2 billion, due to the decline in core operating profit as well as an increase in COVID-19-related one-time costs and impairment losses in some domestic businesses such as the Restaurant business.
- Profit attributable to owners of parent declined 34.7% year on year to ¥92.8 billion. This was due to the loss on sales of investments accounted for using equity method and the increase in financial expenses accompanying an increase in borrowings, despite lower income tax expense.
- We expect 2021 total operating profit to increase 59.8% year on year to ¥216.0 billion. Although we expect gains on sales of non-core assets conducted as part of cash generation efforts, we are conservatively booking business integration expenses and the costs of financial restructuring targeting an improvement in asset efficiency, in Others.
- We are also forecasting profit attributable to owners of parent to increase 63.7% year on year to ¥152.0 billion due to the increase in core operating profit and other factors, and will aim for record highs in both operating profit and net profit.

<Statement of Financial Position and Statement of Cash Flow> (P13)

- Total assets increased ¥1,298.6 billion from the end of the previous fiscal year to ¥4,439.3 billion, mainly due to an increase in goodwill and trademark rights resulting from the acquisition of the CUB business.
- The balance of Interest-bearing debt increased ¥880.4 billion in conjunction with the acquisition of the CUB business, but as shown lower in the chart, we generated significantly more cash flow than expected mainly by posting additional profit, reducing working capital, and selling non-operating assets, and were able to make progress with debt reduction.
- In 2021, we aim to further enhance our cash generation capacity through a recovery in core operating profit and a reduction in assets, repay at least ¥150 billion of interest-bearing debt, and lower the Net Debt/EBITDA ratio to approximately 4.5 times.
- We also plan to increase the annual dividend by ¥3 per share to ¥109 per share based on our policy of aiming to steadily increase dividends targeting a dividend payout ratio of 35%. While the business environment will remain difficult, we plan to continue to stably increase dividends.

<COVID-19 Impacts> (P14)

- Concerning the impacts of the COVID-19 pandemic, in terms of monthly sales trends, some differences have emerged between regions from October onward. In Australia, the on-premise market is still subject to restrictions in some states, but in terms of business overall, sales in the fourth quarter, which is the peak season, recovered to a level significantly exceeding the level of the previous year.
- Meanwhile, Japan was impacted by a resurgence in infections, while there were lockdowns and other restrictions in Czechia and other major European countries, resulting in a significant downward trend in sales.
- The challenging situation continued this January in Japan and Europe due to states of emergency being declared in Japan and Europe as well as tightened restrictions being extended for longer periods.
- It is difficult to make assumptions about COVID-19 impacts going forward, but first quarter results in Japan and Europe might be worse than expected. However, we have factored in a certain amount of downside risk from the COVID-19 pandemic into our annual forecast, so at the current point in time we will strive to bounce back strongly in the second quarter and beyond, and aim to achieve our 2021 targets.
- On the other hand, if the negative impacts last longer than anticipated, we will flexibly revise our forecasts and targets and disclose such revisions when we announce financial results or as the need arises.

<Overview and Direction for Alcohol Beverages Business> (P15)

- Revenue in the Alcohol Beverages Business last year declined 14.5% year on year, mainly due to a drop in the on-premise beer channel. Core operating profit declined 23.8% year on year despite progress on efforts to increase the overall efficiency of fixed costs, including advertisement and sales promotional expenses.
- Overall, as consumption behavior and consumer sentiment changed significantly due to the COVID-19 pandemic, we worked to bolster our mainstay brands in the off-premise market, revise costs, and stimulate demand in the new genre market, and these initiatives yielded results to a certain degree.
- Meanwhile, however, we still have some challenges, including re-energizing *Asahi Super Dry* after the October liquor tax change, and providing value proposals that are aligned with lifestyle changes. We realize that going forward, we must further advance earnings structure reforms including sales channels reform.
- In 2021, in light of our understanding of these challenges, we will focus on strengthening our provision of new value particularly through *Asahi Super Dry* and our other mainstay brands, and create new demand anticipating consumption structure changes.

- In terms of earnings structure reforms, in addition to making improvements in the sales channel and category mix, including on-premise segment reforms, we're aim for a 4.9% increase in core operating profit through fundamental earnings structure reforms.

<Initiatives for Asahi Super Dry> (P16)

- As shown on the POS data graph, since last October's amendment to Japan's liquor tax, sales of canned beer are trending higher compared to the previous year, and consumers seem to be returning to drinking beer to a certain extent.
- Seizing this trend as an opportunity, as we have already announced, in April we will begin selling *Asahi Super Dry Nama Jokki Can* that naturally produces foam when the lid is opened. As part of our effort to provide new value, this new style of can will allow people to enjoy an experience similar to that of drinking draft beer at home.
- In addition, in order to respond to people's desire to drink delicious, refreshing beer at home or while outdoors, we will launch a home server business in May, and continue hosting "*Asahi Super Dry Virtual Bar*" events. Through these and other initiatives we will work to stimulate demand for *Asahi Super Dry* and enhance the brand's value.

<Initiatives for Other Products than Beer> (P17)

- In the happoshu and new genre categories, we will enhance the value of mainstay brands, especially *Clear Asahi* and *Asahi the Rich*, and also strengthen the zero-sugar brands which are growing with the increase in demand from health-conscious consumers.
- With regard to RTDs, in addition to focusing management resources on the three main brands, in the alcohol-taste beverages category we launched *Beery* in line with the smart drinking declaration we put forward last December, and we will develop the low-alcohol (alcohol content <1%) category as a new option for consumers.
- The business environment remains challenging with states of emergency still in place, but we will aim to achieve our 2021 targets by growing sales through our efforts to propose new value and create new markets, in addition to speeding up earnings structure reforms.

<Soft Drinks Business> (P18)

- In the Soft Drinks Business, 2020 revenue declined 6.2% year on year mainly due to weak vending machine sales as people refrained from going out, while core operating profit fell 16.9%, despite reductions in variable costs and the curbing of advertisement and sales promotion expenses.
- In summary, total sales volume declined, but we worked to improve the category mix with *Mitsuya*, *Wilkinson*, and *Calpis* concentrates aimed at responding to stay-at-home demand and demand for healthy drinks, and these concentrate products recorded record-high sales.

- In terms of costs, although we worked to enhance capacity utilization rates and raise the efficiency of advertisement and sales promotion expenses, we face challenges ahead, including further proposing value in response to changes in the environment and improving the channel mix to compensate for weak vending machine sales.
- As for the direction for 2021, the following page shows some of the initiatives we are undertaking including those for carbonated beverages. We will aim for a recovery in sales volume to 2019 levels by both strengthening new value proposals for mainstay brands in response to changing needs, and bolstering sales channels other than the vending machine channel.
- We will also aim for a 6.3% increase in core operating profit by continuing to prioritize advertisement and sales promotion expenses, and by carrying out additional measures to increase capacity utilization rates.

<Food Business> (P20)

- In the Food Business in 2020, in response to consumers becoming more health-conscious and the increase in stay-at-home demand, our efforts included working to bolster *Dear-Natura* supplements and freeze-dried food brands, as well as increasing the efficiency of fixed costs overall.
- However, core operating profit declined 19.9% year on year, as we were unable to make up for the decrease in sales of the mainstay *Mintia* brand due to the drop in demand from consumers at offices and while commuting.
- Our direction for 2021 is also explained on the following page. We are aiming for a recovery in *Mintia* sales momentum by rolling out new products including products specially developed for people to consume while wearing a mask. In addition, we will seek further growth of *Dear-Natura* and freeze-dried food, which are both growth categories.
- We also plan to focus marketing investments in growth categories and ensure appropriate inventory levels, thereby boosting the resilience of our business overall.

<Europe Business> (P22)

- For the Europe Business, we have included monthly sales in key countries. From October onward, some countries implemented lockdowns for a second time and otherwise tightened restrictions. This resulted in a sudden return in the fourth quarter to difficult sales conditions.
- Despite this situation, we rapidly implemented measures to respond to changes in the environment, and were able to achieve revenue and core operating profit exceeding our forecasts thanks to growth in mainstay premium brands and non-alcohol beverages in the off-premise market, as well as a larger than expected recovery in on-premise sales during

the peak season.

- On the other hand, we must respond to the worsening of the mix accompanying the decline in on-premise sales volume. We also need to review our channel policy based on the assumption that on-premise demand will not completely return to previous levels.
- Given these issues, in 2021 we will continue to strengthen the premium strategy centered on the off-premise market, with premium beer and non-alcohol beverages at the core. In addition, we will enhance our measures for when on-premise market demand recovers. Through these efforts, we will aim to achieve a steady top-line recovery.
- We are also working to further expand sales channels by newly positioning *Asahi Super Dry*, *Peroni Nastro Azzuro*, *Kozel*, *Pilsner Urquell*, and *Grolsch* as our five global brands and centralizing marketing functions.
- Entering 2021, lockdowns are continuing in the key countries in Europe. First quarter results in Europe may be worse than expected. However, we have factored in a certain amount of risk into our full-year forecasts, and we are aiming to achieve our 2021 targets by continuing with our premium strategy and bolstering cost controls.

<Oceania Business> (P25)

- In the Oceania Business, last year we completed the CUB business acquisition in June and, with the aim of maximizing synergies, made steady progress with the post-merger integration process, including organizational integration with existing business in October.
- Also, looking at the overall business, on-premise sales declined due to the impacts of the COVID-19 pandemic, but as a result of bolstered marketing of off-premise products in the alcohol beverages and soft drinks business and other efforts, both revenue and core operating profit significantly exceeded our forecasts.
- On the other hand, new challenges on the way to achieving sustained growth include addressing the decline in demand in the on-premise market, re-investment in CUB brands, and generating top-line synergies.
- In 2021, we will advance the premium strategy based on a robust brand portfolio, leveraging the powerful and extensive sales channels we have newly acquired.
- We are disclosing total core operating profit for the Oceania Business, due to the fact that, with the organizational integration in October, we are not able to clearly allocate costs for the existing business and the CUB business.

<Creating Synergies in Oceania Business> (P27)

- We set a cost synergies target of at least ¥10 billion by 2024, and we have already achieved higher efficiencies due to the integration, and leveraged economies of scale in procurement are other areas. We intend to consider bringing forward the timeline for

achieving this target.

- We have been looking at quantifying top-line synergies, and after many discussions among the project team members, we decided to aim to generate approximately ¥5 billion in top-line synergies by 2024.
- The CUB business possesses a strong sales network, especially in the on-premise market, and we will work to expand not only *Asahi Super Dry* and other beers, but also soft drinks and non-beer-type alcohol beverages, as we bolster our foundation for sustained growth in anticipation of changes in the business environment.

<Closing>

- We expect that the business environment will remain very difficult this year due to the COVID-19 pandemic.
- As the next CEO, I intend to increase the certainty of achieving this year's target by implementing action plans for the earnings rebound and recovery measures in preparation for further deterioration in the business environment.
- In this unpredictable era, we will continue "challenges and innovation" to achieve sustainable growth by investing in "enhancing management resources" and "reinforcing ESG initiatives" from a medium- to long-term perspective.