August 11, 2021

Asahi Group Holdings, Ltd.

Fiscal 2021 Q2 Financial Results Conference Call

Date & Time: Wednesday, 11th August, 2021
15:30-17:00 Japan Standard Time

Speakers: Atsushi Katsuki, President and CEO, Representative Director
Ryoichi Kitagawa, Managing Director, CFO

◆ Overview of Financial Results for H1 2021 & Full Year Forecasts

<Financial Results Highlights (Constant Currency Basis)> (P19)

- Although first-half revenue fell short of forecasts for all businesses due to the COVID-19 pandemic and other factors, revenue increased 12.2% year on year to JPY 980.9 billion, primarily due to the increase in revenue in Overseas Business, including the increase due to the consolidation of the CUB business.
- Core Operating Profit exceeded the initial forecast, increasing 63.8% year on year to JPY 82.8 billion. This was mainly due to strong performance in Oceania Business and Soft Drinks Business, despite the decline in profit in Alcohol Beverages Business due to the weakness in the on-premise channel.
- The full-year forecasts are shown on the right. Total full-year revenue is now forecast to be JPY 2,196.1 billion, which is JPY 76.1 billion below the initial forecast. This forecast is based on factors including progress in each business and the current spread of COVID-19 in Japan, Australia, and Southeast Asia.
- The forecast for Core Operating Profit factors in the delay in the containment of the COVID-19 pandemic, and is somewhat conservative in comparison to the actual progress in the first half. Overseas Business and Soft Drinks Business have been revised up, but Alcohol Beverages Business was revised down by JPY 12.0 billion, and total Core Operating Profit was revised down slightly to JPY 213.8 billion.
- The next page, page 20, shows financial results highlights on an actual currency basis, which includes currency exchange impacts. The full-year Core Operating Profit forecast including currency impacts has been revised up by JPY 7.0 billion.

<Alcohol Beverages Business (beer-type beverage sales volume)> (P21)

- As shown in the table on the right-hand side, the overall market for beer and beer-type beverages in the first half was 6% to 7% smaller than in the first half of the previous year, mainly due to the contraction of beer volume due to weakness in the on-premise market and a decline in new genre which was negatively impacted by the liquor tax revision.
- Although sales of happoshu were strong, total revenue for beer and beer-type beverages declined 7.8% year on year as sales of beer and new genre fell short of forecasts.
- For the full year, total revenue is expected to decline 0.7% year on year due to the impact from the contraction of the on-premise market accompanying the extension and expansion of various restrictions, despite an outlook for a certain amount of recovery in demand in the second half.

<Alcohol Beverages Business (Revenue)> (P22)

- As shown on Page 22, total revenue in Alcohol Beverages Business fell short of the target, and declined 7.1% year on year, due to the decline in sales in each category in the on-premise channel other than wine and shochu.
- In light of progress in the first half the forecast for full-year total revenue has been revised down to JPY 742.2 billion, which is JPY 40.3 billion less than the initial forecast, despite the upward revisions to the forecast for revenue from non-alcohol beverages, including the strongly performing *Beery*.

<Alcohol Beverage Business (Core Operating Profit)> (P23)

- Page 23 shows the factors contributing to the change in Core Operating Profit. In the first half, efforts were made to streamline overall costs, including advertisement and sales promotion expenses and other expenses, but this was not enough to completely offset the impact from the larger-than- expected decline in revenue. As a result, Core Operating Profit declined 20.9% year on year and fell short of the target.
- The full-year forecast is now JPY 75.0 billion, which is JPY 12.0 billion below the initial forecast. This is due to the plan to bolster brand investment centered on advertising expenses, with the aim of recovering sales momentum after the COVID-19 pandemic has been brought under control, although efforts to streamline overall costs will continue.

<Soft Drinks Business (Sales Volume)> (P24)

- Page 24 shows sales volume in Soft Drinks Business. In the first half, sales of carbonated drinks were strong, especially *Mitsuya* and *Wilkinson*, but this was offset by a decline in sales of products such as lactic acid drinks and mineral water. Total sales volume increased 0.9% year on year but fell short of the target.

- The full-year forecast was revised based on factors including progress in the first half, and the total sales volume forecast was revised down by 6.0 million cases.

＜Soft Drinks Business (Core Operating Profit)＞ (P25)

- In Soft Drinks Business, Core Operating Profit exceeded the initial forecast and increased 65.3% year on year, mainly due to the increase in sales accompanying the improvement in the category and container mix, as well as the increase in the in-house production ratio.
- The forecast for second-half Core Operating Profit is the same as the initial forecast, and full-year Core Operating Profit has been revised up by JPY 6.0 billion from the initial forecast, to a 28.0% year-on-year increase.

＜Food Business (Revenue/Core Operating Profit)＞ (P26)

- With regard to Food Business, as shown on Page 26, sales increased 1.6% year on year in the first half, mainly due to higher sales for brands such as *Ippon Manzoku Bar and Dear-Natura*, despite a decline in *Mintia* sales. Core Operating Profit exceeded the initial forecast, rising 6.6% year on year, due to the increase in revenue and the streamlining of sales promotion expenses.
- The full-year forecasts for revenue and Core Operating Profit have been left unchanged from the initial forecasts, due to factors including the bolstering of marketing investment targeting a revitalization of core brands such as *Mintia*.

＜Overseas Business (Revenue)＞ (P27)

- With respect to Overseas Business, Page 27 shows revenue on a constant currency basis, while Page 28 shows Core Operating Profit on a constant currency basis. I will now discuss the Core Operating Profit in Overseas Business, so please look at Page 28.

＜Overseas Business (Core Operating Profit)＞ (P28)

- Core Operating Profit exceeded the initial forecast and increased 143.9% year on year. Core Operating Profit in Europe Business was flat year on year, but Oceania Business performed well, including the effect of the CUB consolidation.
- By region, Europe Business saw a 0.1% decline year on year in Core Operating Profit. Although sales momentum has been recovering since April as COVID-19-related restrictions have been gradually relaxed, this was not enough to fully offset the sales decline and deterioration in the channel mix accompanying the lockdowns in January, February, and March.

- Oceania Business saw its Core Operating Profit increase JPY 33.6 billion year on year. This was due to factors including the effect of CUB consolidation, higher sales especially for core brands in alcohol beverages and non-alcohol beverages, as well as creating integration synergies.
- In Southeast Asia Business, Core Operating Profit rose 137.2% year on year, due to factors including increases in sales in the Philippines and Indonesia, as well as the streamlining of advertisement and sales promotion expenses in Malaysia.
- Looking at the full-year forecasts for 2021 on the right-hand side, we have revised our forecasts for Oceania and Southeast Asia based on factors such as the risk associated with the current rise in COVID-19 cases, but overall we are expecting total full-year Core Operating Profit of JPY 147.9 billion, which is JPY 3.1 billion higher than our initial forecast.
- In Europe Business, we are forecasting an 18.7% year-on-year increase in profit for the full year. Although Core Operating Profit in the first half fell short of the forecast, from the second half onward we are assuming a recovery back to the level of the initial forecast due to a number of factors, including a strong recovery in the on-premise channel, additional progress with premiumization in the off-premise market, and further efforts to streamline costs overall.
- In Oceania Business, the forecast for the full year is a 124.9% increase year on year, which is higher than the initial forecast, even after having factored into the second half outlook the impacts of lockdowns associated with the current resurgence in COVID-19 infections.
- In Southeast Asia, we have revised the forecast down from the initial forecast, and now expect a 49.5% year-on-year decline in Core Operating Profit due to factors including the growth of COVID-19 infections in each market and higher costs caused by soaring prices for commodities like sugar and palm oil.

＜Overview of Europe and Oceania Business＞ (P29 & 30)

- Sales volume in the second half in Europe Business is expected to increase in the high-single-digit range on the assumption that the current relaxing of infection control-related restrictions will continue.
- In Oceania Business, we expect sales volume in Australian alcohol beverages business to decline by the mid-single-digits year on year in the second half, due to the negative impacts of lockdowns triggered by the current resurgence in infections.

＜Operating Profit/Profit Attributable to Owners of Parent＞ (P31)

- First half operating profit increased 152.8% year on year to JPY 109.4 billion. This was due to the increase in Core Operating Profit as well as gains on the sale of non-current assets accompanying the sale of the site of a Calpis plant.

- We have upwardly revised our full-year forecast for operating profit by JPY 6.0 billion from the initial forecast to JPY 222.0 billion due to the increase in Core Operating Profit, despite factoring in monthly lags in non-current asset retirements and business integration expenses, as well as financial restructuring resources to enhance capital and asset efficiency in others.
- In the first half, profit attributable to owners of parent significantly exceeded the forecast, increasing 175.7% year on year to JPY 79.3 billion. This was due to factors including the increase in Core Operating Profit as well as the decrease in income tax expense based on the tax lowering effect of the tax system adopted in Italy as a countermeasure amid the COVID-19 pandemic.
- The full-year forecast for profit attributable to owners of parent has been upwardly revised to JPY 156.0 billion, JPY 4.0 billion more than the initial target. This is due to factors including the improvement in operating profit and net finance costs, despite revisions to others and income tax expense.

＜Statement of Financial Position and Statement of Cash Flow＞ (P32)

- At the end of 2021, both total assets and total equity are expected to be JPY 154.0 billion more than the initial forecast, mainly due to the depreciation of the yen.
- The full-year forecasts for cash flow have been left unchanged from the initial forecasts, but we will continue working to generate additional cash flow and accelerate the reduction of financial liabilities.
- With regard to dividends, in accordance with our policy of targeting a stable increase in dividends, with a target payout ratio of around 35%, the initial forecast of a JPY 3 increase to the annual dividend to bring it to JPY 109 per share has been left unchanged.