

Apr 30, 2021

R&I Affirms A+/a-1, Changes Outlook to Stable: Asahi Group Holdings, Ltd.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Asahi Group Holdings, Ltd.
Issuer Rating: A+, Affirmed
Rating Outlook: Stable, Changed from Negative

Commercial Paper: a-1, Affirmed

RATIONALE:

Asahi Group Holdings, Ltd. is a holding company for the Asahi Group, which is engaged in a wide range of beverage-related businesses at home and abroad, centering on alcohol beverages and soft drinks. Faced with a contracting domestic alcohol beverages market, it has been aggressively expanding overseas operations through M&A activities. In 2020, Asahi Group Holdings acquired from Anheuser-Busch InBev SA/NV, the world's largest brewer based in Belgium, its Australian business (trading as Carlton & United Breweries or CUB) for approximately 1,200 billion yen, following the acquisition of its Western Europe beer business in 2016 and the Central and Eastern Europe beer business in 2017. With the completion of the transactions, the Asahi Group has three key operational bases in Japan, Europe and Australia.

The group has five global brands including "Asahi Super Dry", the top brand of beer in Japan, and "Peroni Nastro Azzurro" as well as other leading brands such as "Carlton" and "Great Northern" in the Australian beer market. The group has a robust operational base with the largest and the second or third largest shares of beer markets in different countries. It also holds certain business bases for beverage and food products. Its portfolio is well diversified both by business and operating region. Although its earnings are still stressed amid the COVID-19 outbreak, the group has been able to secure solid earnings.

Profitability is high, and equity capital and cash flow are at sound levels for the rating. Meanwhile, the financial balance is not as sound as the rating suggests owing to a series of large M&As. That said, Asahi Group Holdings has a strong commitment to financial discipline, as exemplified by its capital strengthened through equity raising and subordinated bond issuance relating to the acquisition of the CUB business, as well as its policy of lowering a net debt to EBITDA ratio to about 3x in 2024. In addition, due partly to a relatively flexible revenue and expenditure structure and its ongoing initiative to reform the earnings structure, Asahi Group Holdings will probably be able to maintain certain earning and cash flow generating capacities even if the business environment does not recover to pre-COVID-19 conditions.

While attention needs to be paid to the trend of beer demand in the future, it is highly likely that capital accumulation and debt reduction will proceed steadily. Based on its view that Asahi Group Holdings will be able to restore its financial balance consistent with the rating in the medium term, R&I has affirmed the Issuer Rating at A+ and changed the Rating Outlook from Negative to Stable.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Processed Foods", "R&I's Analytical Approach to Parent and Subsidiary Companies" and "Evaluation of Equity Credit Attributes of Hybrid Securities and Rating Perspectives". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

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NEWS RELEASE

R&I RATINGS:

ISSUER: Asahi Group Holdings, Ltd. (Sec. Code: 2502)
Issuer Rating
RATING: A+, Affirmed
RATING OUTLOOK: Stable, Changed from Negative

Shelf Registration (Bonds)

ISSUE AMOUNT (mn): JPY 700,000
ISSUE PERIOD: From Jun 09, 2020 to Jun 08, 2022
RATING: A+, Affirmed (Preliminary)

Unsec. Str. Bonds No.6	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 15, 2014	Jul 15, 2021	JPY 10,000

RATING: A+, Affirmed

Unsec. Str. Bonds No.8	Issue Date	Maturity Date	Issue Amount (mn)
	May 28, 2015	May 27, 2022	JPY 10,000

RATING: A+, Affirmed

Unsec. Str. Bonds No.10	Issue Date	Maturity Date	Issue Amount (mn)
	Jun 13, 2017	Jun 13, 2022	JPY 130,000

RATING: A+, Affirmed

Unsec. Str. Bonds No.11	Issue Date	Maturity Date	Issue Amount (mn)
	Jun 13, 2017	Jun 13, 2024	JPY 20,000

RATING: A+, Affirmed

Unsec. Str. Bonds No.12	Issue Date	Maturity Date	Issue Amount (mn)
	Jun 13, 2017	Jun 11, 2027	JPY 30,000

RATING: A+, Affirmed

Unsec. Sub. Bonds No.1	Issue Date	Maturity Date	Issue Amount (mn)
	Oct 15, 2020	Oct 15, 2080	JPY 300,000

RATING: A-, Affirmed

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NEWS RELEASE

Unsec. Str. Bonds No.13	Issue Date Oct 15, 2020	Maturity Date Oct 13, 2023	Issue Amount (mn) JPY 100,000
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RATING: **A+, Affirmed**

Unsec. Str. Bonds No.14 (Green Bonds)	Issue Date Oct 15, 2020	Maturity Date Oct 15, 2025	Issue Amount (mn) JPY 10,000
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RATING: **A+, Affirmed**

Unsec. Str. Bonds No.15	Issue Date Mar 15, 2021	Maturity Date Mar 15, 2024	Issue Amount (mn) JPY 50,000
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RATING: **A+, Affirmed**

Unsec. Str. Bonds No.16	Issue Date Mar 15, 2021	Maturity Date Mar 13, 2026	Issue Amount (mn) JPY 50,000
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RATING: **A+, Affirmed**

ISSUE LIMIT (mn):	Commercial Paper JPY 500,000
SUPPORT:	Unsecured
RATING:	a-1, Affirmed

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.

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