Company Name: Anadolu Efes
Company Ticker: AEFES TI
Date: 2017-08-09
Event Description: Q2 2017 Earnings Call

Market Cap: 12,730.26
Current PX: 21.50
YTD Change($): +3.87
YTD Change(%): +21.951

Bloomberg Estimates - EPS
Current Quarter: 0.360
Current Year: 0.713
Bloomberg Estimates - Sales
Current Quarter: 3879.000
Current Year: 12341.182

Q2 2017 Earnings Call

Company Participants

- Asl■ K■l■ç Demirel
- John Gavin Hudson
- Onur Çevikel

Other Participants

- Hanzade Kilickiran
- Walid Bellaha
- Ece Mandac■ Baysal, CFA
- Robert Bonte-Friedheim

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to Anadolu Efes Beer Operations First Half 2017 Financial Results Conference Call and Webcast.

I'll now hand over to your Investor Relations Manager, Mrs. Asl■ Demirel. Madam, please go ahead.

Asl■ K■l■ç Demirel

Hi, everyone. Welcome to Anadolu Efes Beer Operations 2017 second quarter results conference call and webcast. Before we start, I would kindly request you to refer to our notes in our presentation regarding forward-looking statements.

Now, I am leaving the ground to Mr. Gavin Hudson, Beer Group President and Anadolu Efes CEO. Sir?

John Gavin Hudson

Thank you very much, Asli, and, yes, a big welcome to everyone. Thank you for taking the time to join us. I'm not with the team in Istanbul in Turkey. I'm calling in from Russia. A lot of exciting news coming out of Russia at the moment, so we've got our hands full working in Russia. And I'm sure we'll deal with some Q&A after decision as appropriate.

Just to give a quick general overview of our operating environment. As you would have seen, volume is up just under 4.5% with robust results in both our international beer and our soft drinks operations. That's in line with our guidance of low-to-mid-single-digit growth. Revenue up [ph] and that's (01:26) 21.3% (sic) [23.1%]. It's outperforming volume growth with higher volumes, price increases and then positive translation effect of local currencies of our international operations into TL. And Onur will take us through a bit more detail on that.

If we look at EBITDA, increased just over 11%, reaching just under TRY 1 billion, at TRY 984 million. Our consolidated free cash flow at TRY 150 million, up from TRY 50 million in previous period. And our consolidated net debt to EBITDA is still at 2 times as of the first half of 2017, which is in line with our expectations.

If we move to soft drinks, we'll see Turkey delivered – overall, soft drinks, a nice – just over 4% volume growth with Turkey delivering 2.8% (sic) [2.9%] volume growth in the second quarter of 2017, which we're very happy with the improvement.

Our international operations delivering a very comfortable 5.4%, driven largely by growth of 3.7% out of Pakistan, and the cycling 28% at the end of last year, so continued good performance from Pakistan. Our Central Asia continued its recovery by posting a 6% growth in the second quarter of 2017 with double-digit growth coming out of Kazakhstan and Azerbaijan. Iraq also posted 2.2% growth in the second quarter of 2017, and this is despite some macroeconomic and security challenges they have endured.

If we look at the beer volume, the total Beer Group sales volume, just over 10 million hectoliters, up 5.3%. We find that the Russian beer market is estimated to be down low-to-mid-single digits in the first half of 2017, and this is on the back of PET regulation, which we spoke about previously and I'm sure you're aware of; weaker consumer sentiment and then really a terrible winter with colder-than-normal weather conditions. On the 2nd of June, it was still snowing in Moscow. And since then, literally, it has rained non-stop, so not great weather conditions. And then the downsizing, as you may remember, aligned to the PET regulation.

The Turkey beer market continued to be under pressure in the second quarter, and this is really due to factors that affected the first quarter negatively but also unfavorable weather conditions. And then Ramadan was fully overlapped into the second quarter.

If we get into the details of the beer businesses, Turkey beer operations continue to decline, around just over 9%, which is in line with our estimations that we gave to be low-single digits. The competitive environment continued to be a challenge for the volumes in this period.

On the upside though, we did spend the first part of the year focusing very heavily on relaunching our Efes brand and our Efes family in Turkey. And that relaunch happened at the beginning of July. In actual fact, on the 3rd of July, we had a launch event in Istanbul with over – nearly 2,500 of our key stakeholders, retailers and consumers, and this was very positively received.

We've continued with the relaunch of the Efes brand and portfolio across the whole of Turkey and have now reached close to 6,000 retailers and our partners in terms of dealers and distributors. We've dialed up our activity significantly at point of sale as well as focusing heavily on summer, capturing the festivals, the beaches, the holidaymakers that have started returning back to Turkey. So, we are quietly confident that the relaunch of Efes has been successful to-date, and we will watch the space to follow the trends that will develop from this.

If we look at our international beer operations, our EBI volumes are up 11% with volume performance beating expectations, especially in Russia and Kazakhstan. Efes Russia has outperformed the market in the first half of 2017, posting just over 15% market share in Russia for the first half, and this is up from 13.2% compared to previous.

We continued focusing on brands and the execution, increased the presence in the growing modern trade channel, and the DIOT, which is the draft in the off-trade, which is a new phenomena, and we focused heavily on building capability and capacity in capturing this new trend of filling PET at point-of-sale. And this has certainly done very well for the local team.

We stick with our Beer Group strategy of beer, which is around our brands, our execution and our efficiency and our relations. We continue to provide choice and innovation to our consumers. And with our ambition to grow brand love, and we continue focusing on our lead brands and our mainstream brands in all our businesses. We're excelling in our customer collaboration around availability and point-of-sale execution, and then building a competitive advantage through lean and efficient operations across the [ph] pitch, (07:32) whilst focusing on our employees, our customers, the regulators, and community and the environment.

I'll hand over to Onur now to take us through some more detail of the financials, and I will get back a bit later to discuss a bit more general Q&A.

Onur Çevikel

Thank you very much, Gavin. Good afternoon and good morning, ladies and gentlemen. Welcome to Anadolu Efes first-half 2017 results announcement conference call. We are very happy to host you today in our call. As mentioned by Gavin, we are also very happy to announce the [indiscernible] (08:11) on our relationship in Russia and Ukraine.

So, I'm shortly talking about Anadolu Efes consolidated financial results. So, our volumes has recorded a growth of 4.4% and has reached 44.6 million hectoliters in first half of 2017. Our revenues at the same period was recorded to be TRY 6.182 billion with a significant growth of 23.1% compared with the same period of prior year.

Our EBITDA BNRI consolidated figure was TRY 984.4 million with a growth of 11.1%. Our net income recorded to be TRY 90.2 million on Anadolu Efes consolidated level. And our EBITDA BNRI margin was recorded to be 15.9% in first half of 2017.

Going through the Beer Group performances starting as usual with our Turkey beer market. Our volumes in the first half of 2017 in Turkey was 2.6 million hectoliters, 8.6% lower than prior year. Apart from the factors that negatively impacted the beer market in first quarter of 2017, unfavorable weather conditions and Ramadan fully overlapping the second quarter, impacted the volumes as well. Competitive environment also continued to be a challenge. Having said this, as mentioned by Gavin, we welcome the high season with the relaunch of our Efes brand.

Our net sales in the first half of the year reached to TRY 666.1 million, down by 3% year-on-year. The decline was lower than the decline in volumes. Our EBITDA BNRI was recorded to be TRY 133.4 million, down by 26.7%. Our EBITDA margin in Turkey was recorded to be 20% in first half of 2017. Higher cost and FX-based raw materials with year-on-year weaker TL, lower volumes ending up with higher fixed cost, mix impact and high operating expenses due to marketing and selling expenses related to the relaunch of Efes brand before peak season are the main drivers of the pressure on profitabilities.

On international beer operations, our international beer operations grew by 11% in the first half of 2017, especially on the back of strong Russian beer volumes. Our net sales grew by 55.6% both on the back of volume growth, translation impacts as well as local price increases. If we were to implement a constant currency basis, the growth in revenue would be around 7%. EBITDA BNRI in international operations grew by 22.4% and reached to TRY 182.2 million with an EBITDA BNRI margin of 13.1%.

Finally, on the consolidated Beer Group results, our volumes grew by 5.3% and reached to 10.2 million hectoliters in the first half of 2017. Our revenues grew by 29.9%, reaching up to TRY 2,067.2 million in the total Beer Group results. Our EBITDA was reported to be TRY 293.9 million with a 4.8% decline with the previously discussed reasons. Our EBITDA margin was at 14.2% in the first half of 2017 for the consolidated Beer Group.

Continuing with the free cash flow. As you all know, our major priorities in divisions here has always been free cash flow generation. In the first half of 2017, we are able to generate positive free cash flow of TRY 17.9 million before investing activities in Beer Group, which we are particularly happy about.

For the first half of 2017, our net leverage ratios are within the comfortable zone. On Anadolu Efes consolidated numbers, our net-debt-to-EBITDA BNRI ratio was at 1.9 times, slightly better than prior year despite devaluations. Likewise, on our Beer Group results, net-debt-to-EBIT BNRI was at 2 times, also slightly better than the prior years, which makes us happy as well.

Continuing with our balance sheet, our GAAP prepayment schedule is a balanced one, with a 2.8 years of average maturities for Anadolu Efes consolidated level and 4.1 years for our Beer Group operations. For significant portion of our debt, interest rates are fixed, which minimizes the interest rate risk, both on Beer Group and Anadolu Efes consolidated numbers.

Finally, talking on Anadolu Efes consolidated free cash flow, we were able to generate TRY 147.6 million of positive free cash flow, significantly higher than the TRY 63.5 million of first half of 2016. Continued strong free cash flow performance on both Beer Group and Anadolu Efes consolidated numbers particularly makes us happy.

On the financial priorities, not much has changed on our financial priorities. Sustaining consolidated cash flows, deleveraging, efficiency improvements, managing impact of FX volatility, and commitment to investment-grade ratings keep on being our financial priorities.

So, this concludes the financial part of my presentation. So, I will hand over back to Gavin. Gavin?

John Gavin Hudson

Thank you, Onur. If we look at our long-term priorities for beer, we continue to capitalize on our strong brand portfolio. And, in actual fact, we have opportunity with our new partners, ABI, to extend this brand portfolio, where applicable utilizing their portfolio.

We achieved optimal brand and SKU mix. We excel in execution, and we're spending a huge amount of time and focus around our execution at point-of-sale and building additional capability. And we focus on quality market share whilst growing our – generating strong cash flow with a special focus on optimizing our working capital as mentioned by Onur.

In terms of soft drinks, accelerating revenue and margin growth, winning at point-of-sale, and then our sales force effectiveness are key priorities for us.

If we look at the 2017 guidance update, from a sales volume perspective, mid-single-digits growth on a consolidated basis, and this is previously low-to-mid-single-digit growth. If we look at total beer, mid-single-digit growth, and it was previously low-single-digit growth. The Turkish beer market remained flattish with Turkey own beer down to low-single digit. That was previously flat. And then the Russian beer market is down low-single digit as well, previously flattish. And our Russian own beer, our expectation is to outperform the beer market, continue outperforming the beer market. And then on consolidated soft drinks, mid-single-digit growth with Turkey soft drinks at low-single-digit growth and our international soft drinks with high-single-digit growth.

From a revenue perspective, outperform sales volume in all business lines and then EBITDA margin, flattish on a consolidated basis, slightly lower margin for the beer group, that was previously flattish, and flat to slight improvement in EBITDA margin for soft drinks. CapEx, as a percentage of net sales, at high-single digits on a consolidated basis. And then our free cash flow, positive in both beer and soft drinks.

So, that really concludes the formal part of the session. Obviously, as Onur alluded to and you will have seen in the press, we have reached a non-binding agreement with ABI for a 50/50 merger of our Russian and our Ukrainian businesses. Obviously, this agreement is conditional to suitable due diligence and is subject to regulatory approval in both Russia and Ukraine.

So, yeah, I'd like to hand back and then we can start the Q&A session.

Q&A

Operator

Thank you. [Operator Instructions] Our first question is from Hanzade Kilickiran from JPMorgan. Please go ahead.

<Q - Hanzade Kilickiran>: Hi, gentlemen. Thanks for the presentation. I have three questions. The first one is regarding today's announcement obviously. And is it possible – I don't know if you could, but can we hear more about this transaction? Will there be any cash inflow or outflow from Efes? And do you, at this moment, share any kind of combined revenue or EBITDA-type of targets after the merger if it is approved?

And the second question is about your market share in Turkey. I think I'm still looking for your market share decline in 2017. I mean, am I rating the guidance in the right way and do you expect this market share decline to continue going forward as well?

And the final question is about the margin outlook separately for Turkey beer and International beer if possible. Thank you.

<A - John Gavin Hudson>: Thanks very much, Hanzade. I'll answer the second question. I think the first one, Onur, and the last one, Onur can answer. If you'd go ahead with that, Onur?

<A - Onur Çevikel>: Sure. Sure. Thank you very much of the nice questions, Hanzade. About the deal itself and whether any cash flow or any cash outflow, inflow from the deal itself. No, there's no cash outflow or there's no cash inflow for the deal itself. So, it's going to be a cash-free transaction.

On the question about combined revenue or any combined EBITDA targets, well, yes, it is the early stages, so we are not going to be talking about any combined targets of the businesses, what would they be if the deal is to be approved and is to be finalized. We do expect it still to be a value-generating deal for both sides. That's why we have gone into this transaction. However, yet, we are not going to be talking about any guidance or any combined targets of the two businesses at this stage.

So, I will leave the stage for Gavin for Turkey market share then take back for the EBITDA outlook question.

<A - John Gavin Hudson>: Yeah. Thank you. Turkey market share question is very relevant. The decline did continue in the Turkey market share into the first quarter of this year and we have since halted the decline. We're now flat and we see a market share stabilization with slight uptick into the latter half of this year, 2017, so slight recovery. And our aim is to finish 2017 in line with our exit from 2016. That's to halt the decline and recover what we lost in the first quarter. And hence, the relaunch of the Efes portfolio and our route-to-market processes in Turkey.

<Q - Hanzade Kilickiran>: And Gavin, just a follow-up about this market share. I mean, you mentioned before that Tuborg already reached a very high penetration rate in Turkey, around 95% I think after the regulation changed. So, some part of the market share gained by Tuborg was previously because of this penetration. But, in the first half, what was the reason of the market share loss? Is it product launches by Tuborg or any pricing strategy change?

<A - John Gavin Hudson>: No, not at all. In actual fact, it was just the momentum that was coming from last year. And in an actual fact, whilst we were realigning our strategic ambition for the Turkey business, we just invested in some of the channels, and it took us time in the first quarter to reinvest in those channels. And this is coming from 2016.

So, it was really just, I think, us getting back on to the saddle, back into the saddle and applying our strategic intent for 2017, which is really part of what we framed the Turkey turnaround strategy, which has been in motion now for three months with the relaunch happening, as I mentioned, from the first half of July.

It took us the first quarter of the year to work through our integrated activity planning. We look at our portfolio, the total portfolio for Efes Turkey, really looking at our brand planning processes, each brand, we went through a full revamp of the brand planning process, channel planning and regional planning processes, and that took us a couple of months to complete before the relaunch.

So, I don't think it was them doing anything better. I think it was just us getting our act together to get our relaunch executed.

<Q - Hanzade Kilickiran>: Thank you.

<A - Onur Çevikel>: And on the profitability side, let me comment also on the profitability question. As we mentioned, our profitability in the first half has been under pressure, especially in Turkey, whereas we recorded growth in EBITDA numbers in our international beer numbers. The pressure is being basically the volume and the Ramadan impact and then the better conditions in the first half of 2017, especially in Turkey. So, our guidance suggest that we are going to be having a better second quarter – second half on profitability in our Turkey beer business.

Also, on our international beer business, we have been under pressure both in the increased excise taxes that are coming to the – our Kazakhstan operations as well as some fixed exposures that are coming to the raw material prices.

So, we are not giving a separate guidance on the profitability of Turkey and international, but I think I have – as I mentioned, we are expecting a better performance in the second half of the year, especially on our Turkey beer performance. And as we said, we have updated our guidance. Instead of being flattish, we are going to be slightly lower in our EBITDA margin.

<Q - Hanzade Kilickiran>: [ph] Thank you, Onur (25:32).

Operator

Our next question is from Walid Bellaha from Barclays. Please go ahead.

<Q - Walid Bellaha>: Hi. Good afternoon. Thank you very much for your presentation. I have a couple of questions on the operations and a couple of others on the deal. So, on operation, can you comment on the pricing that you expect for beer in Turkey, if you expect any increase in prices on the second half? And if you could also comment on the trading so far that you've seen in Q3.

The second question on operations is regarding the EBITDA guidance for beer operations. So, you mentioned slightly lower EBITDA margin. But just given that, year-to-date, EBITDA growth was negative for beer operation, just wanted to have a sense whether you expect a positive growth on an absolute basis for EBITDA for beer operations? So, that will be for the operations. Maybe I'll wait until I ask on the deal.

<A - John Gavin Hudson>: Thanks. Thanks, Walid. I'll answer the first and I think Onur can help me with the second. Pricing in Turkey, yes, we have taken price in Turkey on the back of the excise increases, which – and, generally, in Turkey, there are two price increases a year, usually in January and then at the end of June, 1st of July. This year, in actual fact, excise increase happened in December as you may be aware. And then the increase at the end of June, 1st of July happened as planned with the excise increase at around 10%. So, pricing has been taken and we don't expect any more pricing decisions to be made in the latter part of the year.

And then, in terms of quarter three trading, I mean, certainly, there's been a huge amount of activity in the marketplace on the back of the relaunch of Efes. We are seeing early glimmers of hope in terms of engagement from our consumers. Certainly, a lot of energy from the sales organization and our retailers, in our route-to-market partners. So – but, by all instances, the relaunch has been very successful to-date and we are starting to see the consumer demand increasing for our portfolio, but specifically around Efes, the Efes pilsen brand, which is one of our main focus areas. Certainly, this is a – not an overnight fix, but all indications are positive at this point in time.

And then, Onur, do you want to talk about the EBITDA guidance?

<A - Onur Çevikel>: Gavin, thank you. Thank you for the question. I think on the EBITDA guidance, as I answered in the previous session, I think the first half profitability has been under pressure in Turkey both on volume basis as well as the Ramadan impact and other stuff. And as I've said, we are expecting a better performance on profitability on the second half of the year.

And on the guidance side, I can't say anything else than what we had corrected, which was we were saying that we are going to be having a flattish EBITDA margin. Now, we are targeting a slightly lower EBITDA margin in our beer operations.

<Q - Walid Bellaha>: Thank you very much. And just on the AB InBev deal. My first question is regarding the margins .So, according to numbers that are reported by the Russian and Ukrainian entity of AB InBev, this entity seems to be lower margin and negative free cash flow compared to EBI. So, just wanted to have your view on whether you consider that you will be able to bring the margin of these entities to the same level as your EBI group and how long do you think it would take the group to reach that?

<A - John Gavin Hudson>: I think, Walid, if I can answer that, as you know, we've just signed a non-binding agreement. We will now enter into the integration planning of the businesses. And I think only later on, once we've completed the integration piece of work between the businesses, which, in actual fact, will start as early as Monday, we would be able to give you a better view in terms of the margin outlook for the new [indiscernible] (30:18).

At this point in time, it's just – we've done top line numbers but we haven't got into the detail and we'll need to go through the full detail with ABI in the process. So, I think it would be better suited to answer that question later on in the year or as closer to closing of the deal than now.

<Q - Walid Bellaha>: Understood. Thank you very much.

Operator

[Operator Instructions] Our next question is from Ece Mandac■ from Tacirler Investment. Please go ahead.

<Q - Ece Mandac■ Baysal, CFA>: Hi. Thank you very much for the presentation. In Russia, I was wondering if you could provide more details regarding your growth guidance for the full year because we are seeing low-to-mid-single digit contraction in the overall market, but you're actually outperforming the market since the second half of 2016. So, given this higher base in the second half, should we expect the contraction in volumes on your side?

And secondly, you also mentioned that DIOT sales was the primary reason behind the substantial increase in the volumes. So, will this trend continue for the rest of the year and for 2018 as well? And how is the strategy of InBev on this side? Are they also really aggressive as you do in the DIOT channel? And could you also please provide the – in overall market and in your revenue for volumes the share of the DIOT sales approximately? Thank you very much.

<A - John Gavin Hudson>: Okay. Thank you, Ece Mandaci. That's quite a lot of questions in one. Let me try and answer them. I couldn't write them down as quick as you were asking them. Certainly, I think that – we know the Russian beer market is contracting. And, I mean, there are two positive upsides for Efes Russia. The one is that we relaunched our PET offering on the downsizing of the industry PET. As you know, it went from 2.5 liter down to a maximum of 1.5 liter.

We were well positioned in terms of refreshing our portfolio and bringing in new moulds for the downsized PET, which we were able to launch from the first of January. So, bringing fresh news into that space I think helped us grow market share or definitely helped us grow market share.

Equally, we've continued focusing on the modern trade channel whilst maintaining our position in the traditional trade channel to a large extent. We focus on category expansion in the modern trade and have actually grown share versus our competitors, all our competitors, in the modern trade. And this has obviously helped us outperform the market. So, it's not just the DIOT.

Getting to DIOT, we identified the DIOT opportunity during last year as a growth node for the market. And we anticipated that with the PET downsizing, that the consumer was still going to be looking for the PET pack in different formats. And we invested capacity and capability behind DIOT. So, we were able to start the year with additional selling points.

To give you a sense, we've increased the number of selling points of DIOT by close to 5,000 selling points across Russia, and we did that literally in three-and-a-half months. So certainly, that gave us a step-change in terms of our presence in DIOT and our volume pickup of DIOT.

Now, does this continue into the latter part of the year? Probably not as our competitors have become more competitive in the space and have also started investing in DIOT. But certainly, we see ourselves holding the position. We are the new news. We have innovated in that space, and I certainly believe that through to the end of the year, we'll continue the trends that we have forecast and the guidance that we've given for the Russian beer market.

<Q - Ece Mandac■ Baysal, CFA>: Thank you very much.

<A - John Gavin Hudson>: Is there anything I missed there? I'm sorry.

<Q - Ece Mandac■ Baysal, CFA>: About the AB InBev strategy, how are the competitors doing in the market? As far as I know, Carlsberg has around 10% market share in the DIOT segment. But I think you're a bit more aggressive than other competitors especially on the DIOT side, I think.

<A - John Gavin Hudson>: Yeah. I think, certainly, Carlsberg are still leading in the DIOT space in terms of market share. They have seen some decline. And I think what we've able to do is pick up some of that decline as well as grow the DIOT share by expanding our footprint.

But in modern trade, by the way, we have two formats of DIOT. We have it in the modern trade and we have DIOT in traditional trade. And we've been able to expand both our distribution and our volume growth in both of those spaces in the Russian market.

<Q - Ece Mandac■ Baysal, CFA>: Okay. Thank you. That was very helpful.

<A - John Gavin Hudson>: Okay. Pleasure.

Operator

Our next question is from Robert Bonte from BlueCrest Capital. Please go ahead.

<Q - Robert Bonte-Friedheim>: Hi. It's Robert Bonte-Friedheim at BlueCrest Capital. Thanks for taking the questions. I have three questions, if I may, about Russia, which I guess now, if my math is correct, next year will be 3.5 times to 4 times as big as Turkey in beer volumes.

So, the three questions are, one, can you give us a bit of sense – I mean, other breweries do this about your current trading in two specific areas. One, can you give us a sense, some kind of estimate about how much volume was affected by the coldest spring in 100 years in Russia, a range? How much in percent would be higher if the weather had been normal?

And the second question is, something that other brewers also do is they give us a sense of sell-in and sell-out. Can you give us a bit of sense of Russia kind of sell-in and sell-out, the dynamics in the second quarter? That's question number one.

Question number two is, in Russia, so when you did the merger back with SAB back several years ago, you gave us, at that time, I think, a savings target of $120 million. Now, obviously, the currency has moved since then but also the two business are much bigger. In terms of, as a reference, should we be thinking of maybe $200 million savings or how would you – relative to that, what kind of ballpark should we think, double as much? Just to have a ballpark.

And the third question is just by coincidence, one of the brokers organized a breakfast yesterday with none other than the CFO of Anheuser-Busch InBev. And he said, he reminded me that or he said that they are of course a sponsor of the World Cup in 2018 in Russia, and that's going to be a big part of kind of building the beer brands overall. So, I guess, I'm wondering, when I think about the market dynamics, that suggest a significant relaxation of some of the advertising restrictions and marketing restrictions in Russia at least around the World Cup. How should we think about that when we kind of start to build our model for next year in terms of the volume impact that might have? Thank you for taking the questions.

<A - John Gavin Hudson>: All right, Robert. Thank you for the questions. To answer your first question, probably a bit difficult. I mean, to do the math in my head now is pretty quick. We expect that the Russian beer market lost about 4%, 4.5% because of – in the first – in H1 because of weather and it has been a brutal, really a brutal weather across the country, not just in Moscow and [ph] St. Petersburg (38:30) for that matter.

So, if you look at the metrics, the Moscow – the Russian beer market is about, call it between 70 million, 80 million hectoliters. So, you're looking at 4.5% on – before summer of that volume. I can give you a detailed number. I just need to get to calculate that. My apologies.

In terms of sell-in/sell-out, we're very focused on our sell-in and sell-out metrics and obviously shy away from overselling in versus selling out, and we've revamped and we mentioned in the previous call, we've revamped our demand planning processes certainly in the Russian business and equally now across our businesses of Anadolu Efes.

So, there's a lot of focus on ensuring that we're not building stock-in trade unless there's a specific reason for it. For example, it might be related to an activity, summer, et cetera. So, sell-in will generally always equal our sell-out volumes. And in many instances, sell-out after summer should be higher than sell-in.

Talking about your merger, we learned a lot and we've documented a lot of the learnings from the previous merger between SAB and Efes in Russia in 2011, 2012, around there. And certainly, there we made some mistakes and we've captured those, and we've learned from them. We've also been working closely with ABI, and they have a lot of experience around these stuff of mergers. So, we're taking best practice from learnings, best practice from experience. And I'm fairly confident that should we get regulatory approval for the deal, that the integration process will be a successful one.

To give you metrics in terms of numbers, I think it's too early for me to do that. We'll be in a better position to do that once we finish the integration planning process, and I'll be happy to share that with you.

Obviously, World Cup is a lot of activity, and not only does that create an upside for the major sponsors, for example, Budweiser in this case, but it creates a lot of activity in the beer market, and it's good for the category. So, certainly, I think there is going to be a slight relaxation in terms of some advertising and marketing. The full extent I can't give you off the top of head. I mean, I'm happy to communicate with you via e-mail and give you more specifics if you'd like but I can't give you the exact, the details of that at the moment. But certainly around the [indiscernible] (41:19) there has been some relaxation in terms of advertising or the presence of advertising, but certainly not on the ATL, Above The Line, outside of specific sponsorship advertising, which we know is part of fee for package.

<Q - Robert Bonte-Friedheim>: Got you. Any chance that the kiosks maybe sell beer again for the World Cup or something?

<A - John Gavin Hudson>: No. No, no, no. Certainly the relaxation will be more just around visibility advertising and I think very, very specific to the fan zones, et cetera. And obviously, we continue advertising on television, et cetera, but with non-alcoholic brands, and there has been a trend on that. So, the beer queues are being advertised, albeit behind zero-alcohol brand, 0.0, but certainly the kiosks are something of the past. We won't see that come back.

<Q - Robert Bonte-Friedheim>: Okay. Wonderful. Thank you for taking the questions.

<A - John Gavin Hudson>: Okay. Pleasure.

Operator

[Operator Instructions] We have no other questions. Mr. Onur Çevikel, back to you for the conclusion.

Onur Çevikel

Well, thank you. Thank you very much. Thank you very much for joining us today in our first-half 2017 results call, and I'm hoping to talk to you in our next third quarter results announcement. Thank you very much for joining us today, and I will leave the stage to Gavin for his last words.

John Gavin Hudson

Yeah. Thanks, Onur, and thanks very much for your time. Thank you for the questions. We always appreciate them. And certainly, we're very excited about the work we're doing in Russia with ABI. And I'd love to give you more updates on a more regular basis, but we'll have to wait for the next call, but certainly watch the space. I think there's a lot of exciting things happening. Thank you very much.

Operator

Ladies and gentlemen, this concludes our conference call. You may now disconnect.