

Asahi Group HD Acquires Diageo plc's Businesses in East Africa—No Immediate Rating Action; JCR Will Watch Future Financial Management Policies

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement regarding the acquisition of shares in Diageo plc's Businesses in East Africa by Asahi Group Holdings, Ltd. (security code: 2502).

- (1) On December 17, Asahi Group Holdings, Ltd. (the "Company") decided to acquire 100% of the shares in Diageo Kenya Limited ("DKL") and 53.68% of the shares in UDV (Kenya) Limited held by subsidiaries of Diageo plc ("Diageo") and entered into sale and purchase agreements. Through the transaction, the Company will indirectly acquire 65.00% of the shares in East African Breweries PLC ("EABL"), which markets beer, spirits and RTD beverages in Kenya, Uganda and Tanzania. The total acquisition amount is USD 3,000 million (approximately 465.4 billion yen), with closing scheduled for the second half of year 2026. EABL possesses a diverse brand portfolio and strong regional presence. EABL will plan to receive long-term licenses for global brands such as "Guinness" from Diageo.
- (2) The Company has recently implemented an early redemption of subordinated bonds issued for the acquisition of its Australia Business (June 2020) and is proceeding with the acquisition of treasury shares equivalent to the number of publicly offered shares. The financial burden associated with this acquisition is expected to cause a certain deterioration in the financial structure. Net Debt/EBITDA will exceed the guideline (maintaining around 2.5–3x) under the Company's financial policy. Furthermore, country risks of Kenya and other regions are higher compared to Japan, Europe, and Australia, where the Company currently operates. However, JCR has determined that an immediate rating change is not necessary at this time considering the following factors: (i) The acquisition target possesses a solid business foundation in the growing East African market and has stable cash flow generation capabilities; (ii) The Company's financial resilience has significantly strengthened compared to the time of previous large-scale acquisitions; and (iii) The Company has a track record of successfully integrating past large-scale acquisitions into the Group. JCR will closely watch the Company's medium-term financial management policies, progress of PMI after this acquisition, and outlook for its contribution to performance and incorporate these findings in the rating. Furthermore, while the system failure caused by the cyberattack on September 29 has adversely affected the shipment and sales of domestic beer and beverages, system-based order acceptance has resumed, and delivery is returning to normal. The adverse impact is expected to diminish going forward, and JCR judges at present that the effect on the rating can be limited.

Shigenobu Tonomura, Takeshi Fujita

<Reference>

Issuer: Asahi Group Holdings, Ltd.

Long-term Issuer Rating: AA- Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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