



CHINA MENGNIU DAIRY
COMPANY LIMITED
(2319.HK)



世界足球先生：梅西



自由式滑雪世界冠军：谷爱凌



营养你的要强

Nurture Your Greatness

2021 Interim Results

August 2021

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Management Team



◆ Mengniu

Lu Minfang Chief Executive Officer & Executive Director

Meng Fanjie Vice President & Executive Director

Zhang Ping Chief Financial Officer

Gao Fei Senior Vice President

Wen Yongping Vice President

Luo Yan Vice President

Li Pengcheng Vice President

Chris Kwok Financial Controller & Company Secretary

◆ Yashili

Yan Zhiyuan Chief Executive Officer & Executive Director

Chen Limin Chief Financial Officer





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Financial Overview



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Financial Highlights



RMB million	1H2019	1H2020	1H2021	YoY
Revenue ⁽¹⁾	39,857	37,533	45,905	22.3%
Gross Profit	15,579	14,652	17,553	19.8%
Gross Margin	39.1%	39.0%	38.2%	-0.8ppt
Operating Profit	2,420	1,500	2,779	85.3%
Operating Margin	6.1%	4.0%	6.1%	2.1ppt
EBITDA	3,512	2,195	4,344	97.9%
EBITDA Margin	8.8%	5.8%	9.5%	3.7ppt
Profit Attributable to Owners of the Company	2,077	1,212	2,947	143.2%
Net Profit Margin	5.2%	3.2%	6.4%	3.2ppt
Basic EPS (RMB)	0.531	0.309	0.748	142.1%

Note: (1) 1H2021 included revenue contribution of RMB380 million from the consolidation of Aice, a leading ice cream brand in Southeast Asia from April to June.

Revenue Breakdown by Segments



(RMB Million)	1H2020	1H2021	+/-	% of Revenue	+/-
Liquid Milk	32,565	39,448	21.1%	85.9%	-0.9ppt
Ice Cream ⁽¹⁾	2,229	3,004	34.8%	6.5%	0.6ppt
Milk Formula	2,282	2,547	11.6%	5.6%	-0.5ppt
Others	457	906	98.2%	2.0%	0.8ppt
Total	37,533	45,905	22.3%	100.0%	/

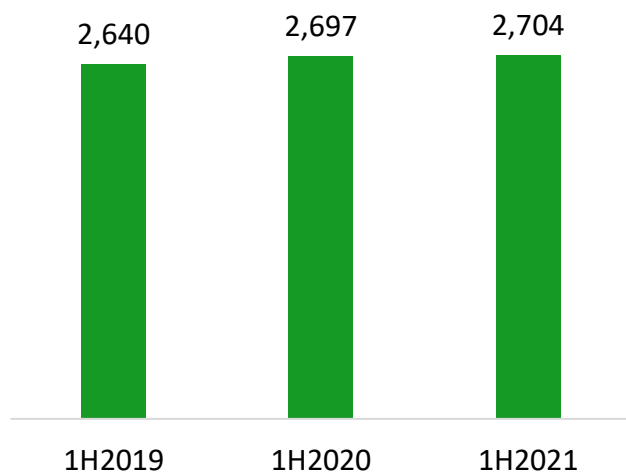
Note: (1) 1H2021 included revenue contribution of RMB380 million from the consolidation of Aice, a leading ice cream brand in Southeast Asia from April to June.

Cash Flow and CAPEX



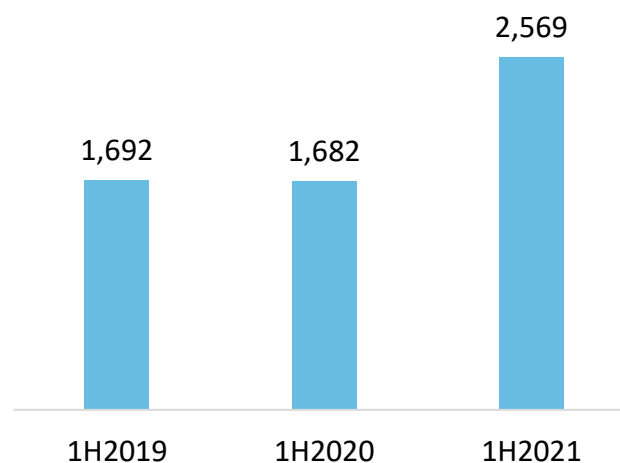
Net Cash Inflows from Operating Activities

(RMB Million)



Capital Expenditure - Property, Plant & Equipment

(RMB Million)

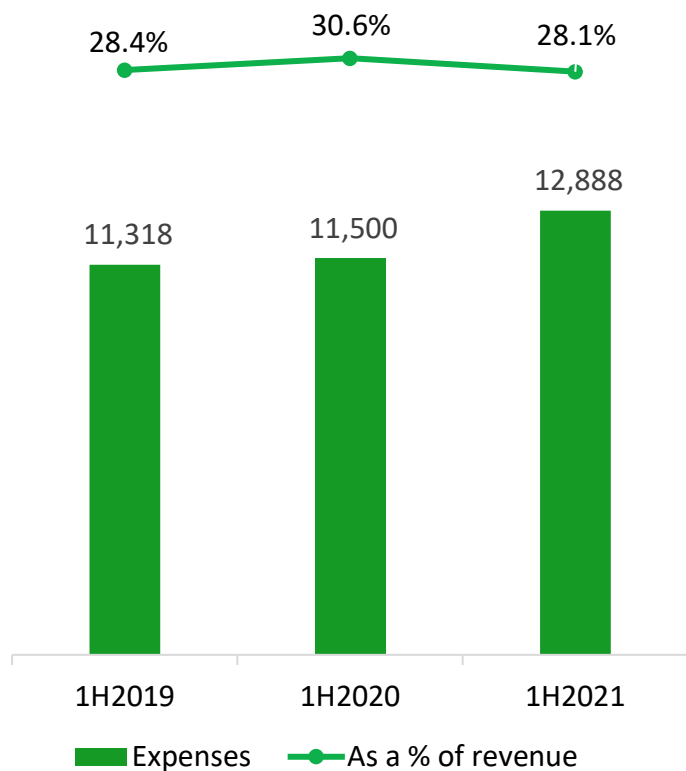


SG&A Expenses



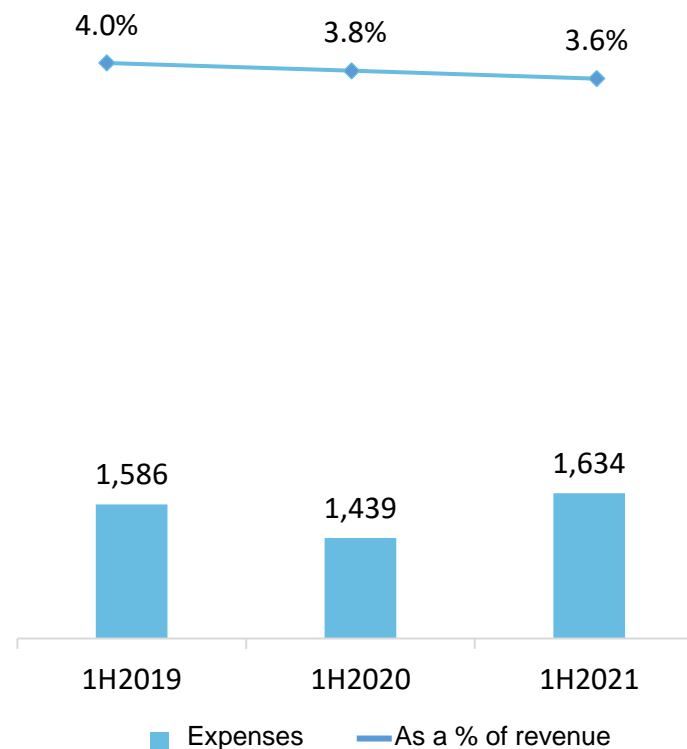
Selling & Distribution expenses

(RMB Million)



Admin expenses

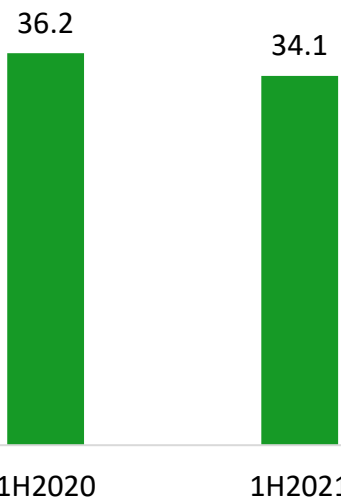
(RMB Million)



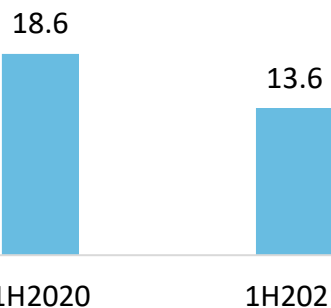
Operational Efficiency Index



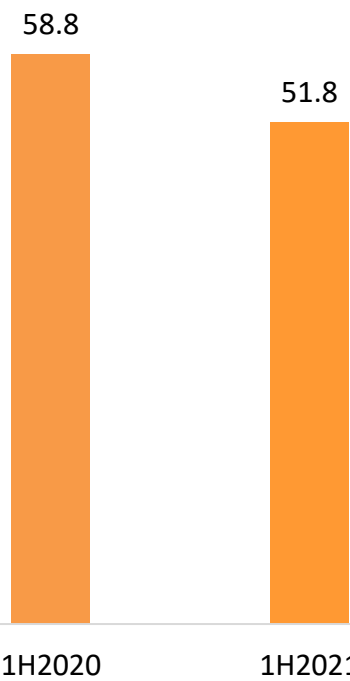
Inventory Turnover (Days)



Receivables Turnover (Days) ⁽¹⁾



Payables Turnover (Days) ⁽²⁾



(1) Receivables Turnover = (Average Balance of Trade and Bills Receivables / Revenue) x Number of Days

(2) Payables Turnover = (Average Balance of Trade and Bills Payables / Cost of Sales) x Number of Days





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2021 Business Review & Outlook



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1H2021 Business Review



- Volatility of COVID-19 brought short-term challenges
- The formation and development of greater national health awareness accelerated, which stimulated dairy products consumption
- Drove recovery and transformation of the dairy industry



- Significant increase in raw milk cost
- Committed to the establishment of quality milk source bases to improve supply structure and efficiency

- Continued to drive brand transformation to grasp the trend of consumption upgrade
- Launched innovative products to upgrade product portfolio to mid- to high-end
- Promoted omni-channel development, committed to optimize channel rollout

- Accelerating the digital transformation of Mengniu in 2021
- Continued digital upgrade in aspects of “consumers, channels, supply chain and management”

Fully grasping industry opportunities post COVID-19, and solid execution of our upgraded strategies, achieving the fastest growth over the past five years

Fastest Growth for Room Temperature Business in Five Years



01

Accelerated growth for room temperature business, continued to outperform market

- Over 20% yoy growth for room temperature liquid milk, accelerating growth and continued to be industry leading
- Market share up 60 bps versus end of 2020 to 28.8% during the period
- Initiatives like new retail channels operation and channel penetration in lower tier towns and villages continued to bear fruit
- Continued focus on high-end product innovation and upgrade, strong growth of “DreamCap™” products drove the Milk Deluxe brand to grow by nearly 40% during the period
- Continued product structure optimization for Mengniu pure milk , recorded over 20% growth during the period



High Growth for Fresh Milk & Cheese Businesses



02

Continued market share expansion for fresh milk business

- Net revenue grew over 120% yoy
- Market share increased from 11.2% at the end of 2020 to 13.1% during the period
- No.1 in sales in channels such as JD.com, Sam's Club and Yonghui Superstores
- Shiny Meadow grew over 120%, strengthened its leading position in the high-end fresh milk market
- Continued product innovation, launched Shiny Meadow A2 fresh milk, 4.0g milk protein fresh milk during the period, in June launched mini packaged milk tea to explore fresh milk + category opportunities



03

68% growth in net revenue in 1H for cheese

- Launched ASCX additive-free organic cheese sticks and new room temperature leisure cheese products, exploring new consumption scenarios
- Explore opportunities in market segments such as new food services, new bakery and new tea beverages, offering products such as whipping cream and cream cheese
- Completed strategic investment in Milkground's share issue in July, developing leading position in the cheese market

Breakthrough for Ice Cream & Chilled Product Businesses with Strong Execution



04

Chilled product business beat market performance

- Net revenue grew over 7% yoy, significantly outperforming the market
- Explored probiotics market, promoted Yoyi C, the functional probiotics drink, which grew over 20%
- Continued to upgrade Champion yogurt product portfolio, launched zero sucrose and reduced sugar new products, saw over 20% growth for the brand
- Improved efficiency and profitability through refined channels and brand promotion

05

Innovation of Ice Cream Products, promoted through multiple channels

- 34.8% YoY growth in net revenue, with domestic business growing 16%
- Product rebranding together with innovation and upgrade of the product portfolio had significant effects, driving notable improvement in GPM
- Expansion of modern and new retail channels further strengthened sales
- Strategic investment in Aice, a leading ice cream brand in Southeast Asia in March 2021, to further expand the Southeast Asia market



Milk Formula Business Accelerated Development in New Market Segments



06

Strong growth in adult milk powder for Yashili, outperforming the market

- Over 90% growth in adult milk powder revenue, becoming a new growth driver
- Focused on developing Reeborne brand, continued to upgrade and optimize the infant formula product portfolio
- Launched high-end adult functional milk powder products against the backdrop of aging of population, building leading position in the industry
- Developed products specifically targeting particular consumer groups, including M8 children's growth milk formula



07

Bellamy's actively expanded its brands and channels to strengthen its foundation

- Accelerated domestic cross-border channels development, increased market share in cross-border e-commerce channels; Australian daigou channels affected by COVID-19
- Chinese-labelled organic Equi-pure infant milk formula continued to promote offline channels and strengthened the channel foundation
- Launched the new brand positioning and advertisements of "True Organic", to increase exposure and popularity of the brand and create momentum

Create A New Mengniu in Five Years



F: First-Choice
A Mengniu
of consumers'
first choice

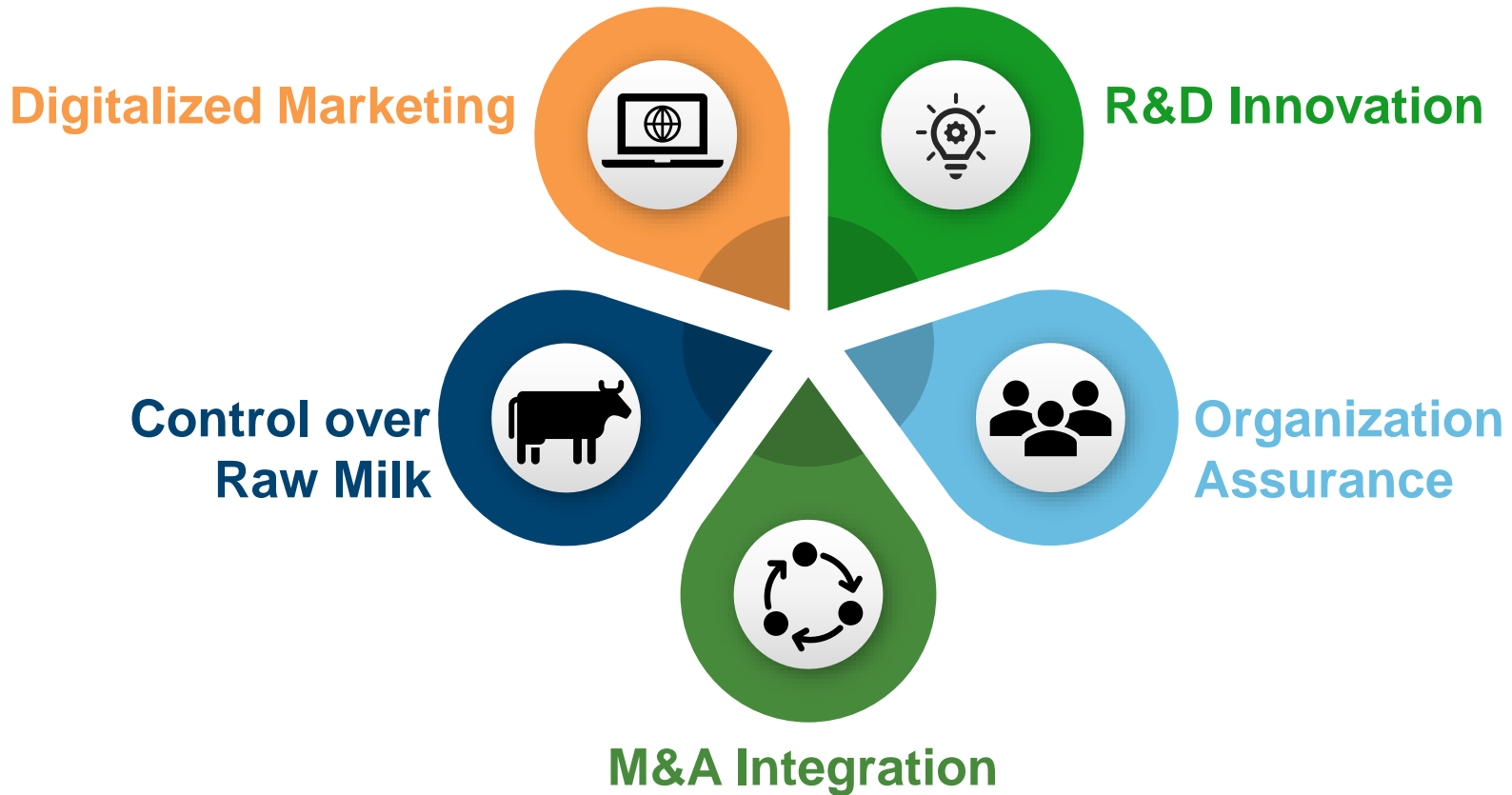
I: International
An internationalized
Mengniu

R: Responsibility
A Mengniu
with strong sense of
responsibility

S: Spirit
A Mengniu
with strong culture
gene

T: Technology
A Digitalized
Mengniu

Continue to Build Up Five Core Capabilities



Continued to Execute ESG Strategic Plan to Drive High Quality Long-term Growth

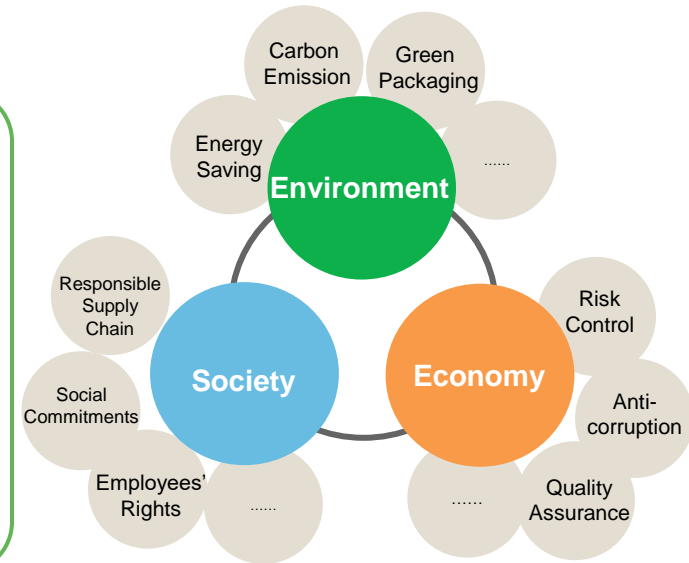


Accelerated sustainable development efforts

➤ Including ESG goals into management KPIs

Mengniu will elevate our sustainability work, all departments will integrate ESG work with their businesses, and further embed social responsibility into our development strategies and social value into our business DNA, to firmly embark on our journey of sustainable development.

—— Lu Minfang, CEO



Improvement in ESG Ratings

- Increased 8 “National Green Factories” to 17 since 2020, and two factories recognized as smart digital technology-empowered factories
- The only mainland Chinese food company to be selected in the top 30 of HSSUS, also selected in the Hang Seng ESG50 Index
- Responded to the CDP climate questionnaire for the first time, disclosed the condition of Mengniu’s greenhouse gas control
- Ranked the first among Chinese dairy companies in the FAIRR protein producer index
- Awarded Green Finance Certification by Hong Kong Quality Assurance Agency and secured HK\$2.3 billion in green financing
- Successfully issued the first “poverty alleviation” bond to raise RMB500 million

Proactively manage climate change risks, accelerate the implementation of greenhouse gas emission reduction solutions, continue to explore paths for low-carbon transformation for the dairy industry.

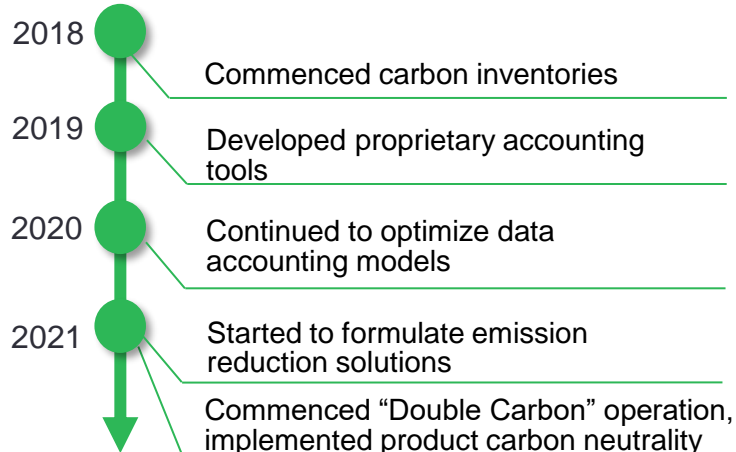
Carbon commitment

- ▶ Disclose Mengniu's carbon commitment in the 《2020 Sustainability Report》

Mengniu proactively supports the goal to achieve carbon neutrality by 2060, and to lead the industry in carbon neutrality commitment. Will disclose emission reduction targets and roadmap in 2022.

Carbon management

- ▶ Built a three-tier management structure of “Group – Business Unit – Factory”



International Cooperation

- ▶ Joined the “Pathways to Dairy Net Zero (PDNZ)” Initiative started by GDP
- ▶ Jointly promoted low carbon transformation in the global dairy industry with GDP, facilitated the formulation of carbon neutrality standards for the dairy industry in China



GLOBAL DAIRY PLATFORM

Industry Backdrop

- ◆ Consumers become more health conscious due to Covid-19, leading to faster growth of the dairy industry
- ◆ Huge room for dairy consumption upgrade and channel penetration of lower-tier markets
- ◆ Marketing and brand communication model changes due to digitalized lifestyle, commanding the transformation of route-to-market model



With long-term strategic goals in mind, Mengniu continues to boost core strengths

- ◆ Multiple ways of sourcing high quality raw milk to support rollout of business development strategy
- ◆ Focus on mother brand and core brands of each product category to continuously upgrade brand power and product competitiveness
- ◆ Strengthen omni-channel marketing and sales, speed up emerging channel development and channel penetration
- ◆ Upgrade overall R&D innovation capability to meet needs for differentiated products of different consumer groups
- ◆ Speed up digitalized transformation to build a completely digitalized industrial chain



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Q&A



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