



CHINA MENGNIU DAIRY COMPANY LIMITED  
(2319.HK)

# 2022 Interim Results

## August 2022

2022 FIFA 世界杯™  
全球官方  
赞助商



TM

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# Management Team



## ◆ Mengniu

Lu Minfang

Chief Executive Officer & Executive Director

Wang Yan

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

Chen Yiyi

Vice President

Chris Kwok

Financial Controller & Company Secretary

## ◆ Yashili

Yan Zhiyuan

Chief Executive Officer & Executive Director

Chen Limin

Chief Financial Officer





中国蒙牛乳业有限公司

股份代号: 02319 HK

# Financial Overview



# Financial Highlights



RMB million	1H2020	1H2021	1H2022	YoY
Revenue	37,533	45,905	47,722	4.0%
Gross Profit	14,652	17,553	17,459	-0.5%
Gross Margin	39.0%	38.2%	36.6%	-1.6ppt
Operating Profit	1,500	2,779	2,520	-9.3%
Operating Margin	4.0%	6.1%	5.3%	-0.8ppt
Operating Profit (Excluding new SBC Expenses)	1,500	2,779	2,809	1.1%
Operating Margin (Excluding new SBC Expenses)	4.0%	6.1%	5.9%	-0.2ppt
EBITDA	2,195	4,344	5,486	26.3%
EBITDA Margin	5.8%	9.5%	11.5%	2.0ppt
Profit Attributable to Owners of the Company	1,212	2,947	3,751	27.3%
Net Profit Margin	3.2%	6.4%	7.9%	1.5ppt
Net Profit (Excluding One-off P&L Items)	1,212	2,947	2,977	1.0%
Basic EPS (RMB)	0.309	0.748	0.949	26.9%



# Revenue Breakdown by Segments



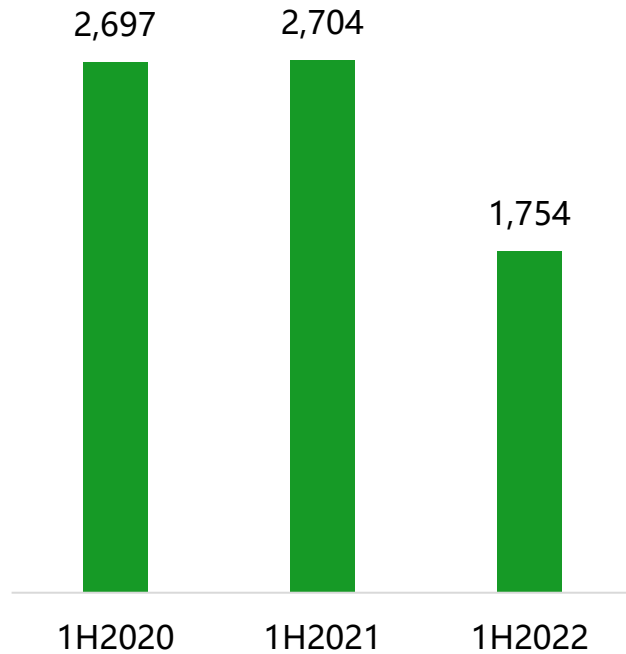
RMB million	1H2020	1H2021	1H2022	YoY	1H2022 % of Revenue	YoY
<b>Liquid Milk</b>	32,565	39,448	<b>39,665</b>	0.6%	83.1%	-2.8ppt
<b>Ice Cream</b>	2,229	3,004	<b>3,904</b>	29.9%	8.2%	1.7ppt
<b>Milk Formula</b>	2,282	2,547	<b>1,894</b>	-25.6%	4.0%	-1.6ppt
<b>Others</b>	457	906	<b>2,259</b>	149.4%	4.7%	2.7ppt
<b>Total</b>	37,533	45,905	<b>47,722</b>	4.0%	100%	/

# Cash Flow And CAPEX



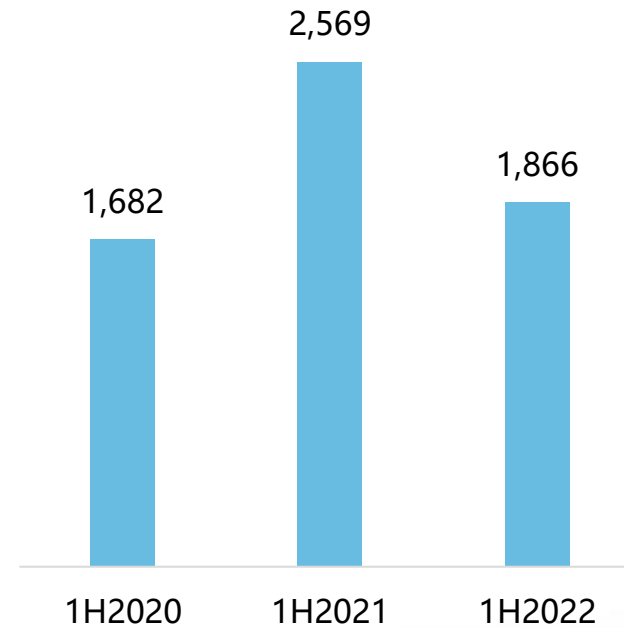
## Net Cash Inflows from Operating Activities

RMB million



## Capital Expenditure - Property, Plant & Equipment

RMB million

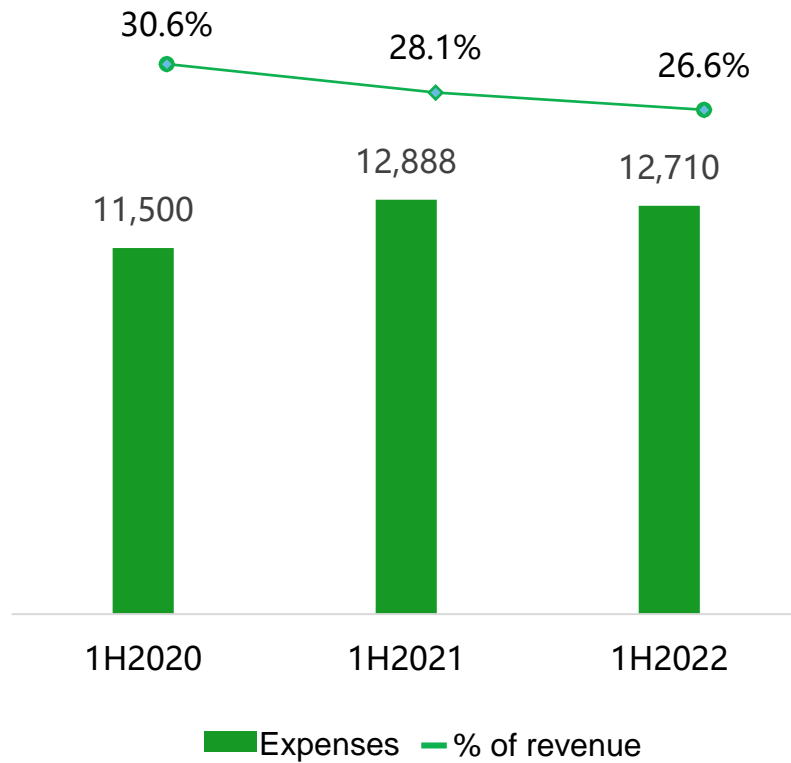


# SG&A Expenses



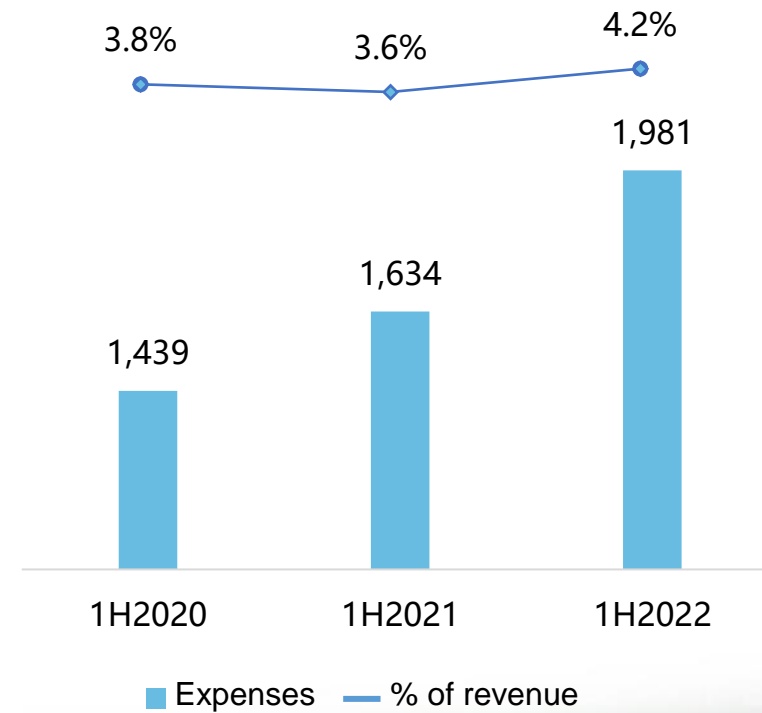
## Selling & Distribution Expenses

RMB million



## Admin Expenses

RMB million

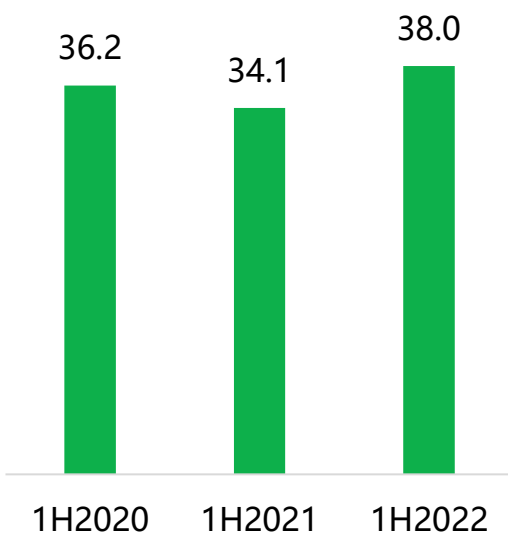




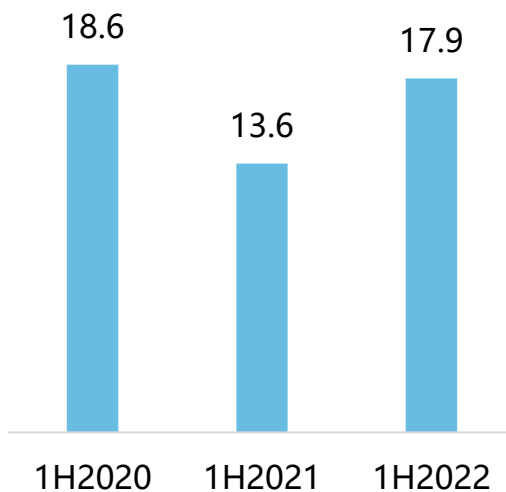
# Operational Efficiency Indicators



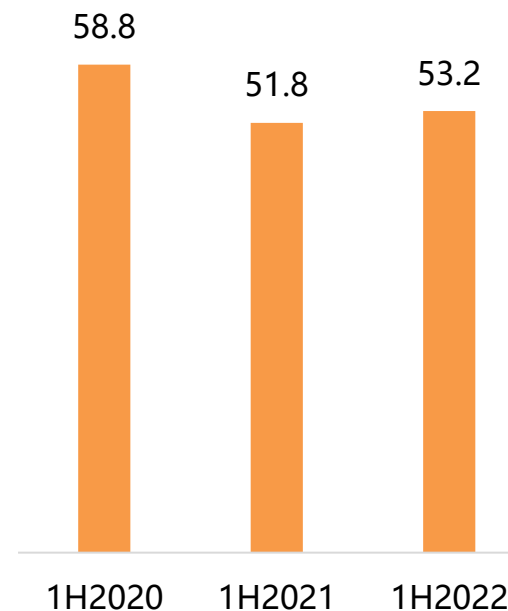
## Inventory Turnover (Days)



## Receivables Turnover (Days) <sup>(1)</sup>



## Payables Turnover (Days) <sup>(2)</sup>



(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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# 2022 Business Review & Outlook





# 1H2022 Business Review



1

- Revenue growth in 1H2022 was weaker than expected owing to city lockdowns and high comparative base of 1H2021
- Raw material cost and oil price increased significantly
- Reduced cost and increased efficiency



2

- Leveraged the Women's Asian Cup and the Winter Olympics to carry out brand communication in Q1, enhancing brand popularity and social reputation, driving sales in early 2022
- Made concerted efforts to respond to challenges brought by the pandemic and maintained supply for the community in Q2, sales started to resume growth since May



3

- Fully realized synergy between parent brand and the sub-brands, leveraging aerospace and sports-related resources to increase the influence of Mengniu's brands
- Continued to promote optimization and refined management of channels to improve sales expense efficiency



4

- As consumers' health awareness has increased since outbreak of the pandemic, the dairy industry has continued to upgrade and transform
- Branded products such as Shiny Meadow, Milk Deluxe and Mengniu pure milk still achieved strong growth
- Milkground' s revenue increased by 25.5%, with a market share of 35.5% in the cheese market, becoming the absolute leading cheese brand in the China



5

- Comprehensive acceleration of the digital transformation initiatives
- Promoted digital upgrade, with "consumers, channels, supply chain and management" going online





# Proactively Responds to COVID-19 Challenges, Expediting Business Recovery



## Challenges

- In 1H2022, multiple cities saw pandemic outbreaks in China
- Logistics disruptions and reduced transport efficiency
- Point-of-sale closures and reduced customer traffic in stores
- Low motivation from channels to place orders and build up inventories
- Difficulties in conducting campaigns and new products execution

## Strategies

### Consumer

- Fully promoted “community group purchase” to ensure adequate supply of dairy products in the areas affected by the pandemic
- Actively promoted product sales to achieve rapid business recovery after the pandemic

### Resource allocation

- Maintain a healthy inventory level in sales channels
- Fully grasping online & offline market opportunities in festival sales seasons and brand communication efforts leveraging World Cup sponsorship in 2H2022

Mengniu Strives to Meet Demands of Shanghai improving sales and brand recognition



# Steady Growth for Room Temperature Business



## UHT milk maintained high growth, demonstrating demand resilience

- The demand for pure milk remained strong. Milk Deluxe' s "DreamCap™" grew by double digits, driving overall growth of 10% for the brand. Mengniu pure milk grew by 21%, achieving further upgrade in product mix
- Milk Deluxe "Desert Organic" continued to promote the concepts of organic, healthy and green, and Milk Deluxe' s market share and brand recognition in both the organic and overall market further increased
- Continuous product innovation with the launch of room temperature yogurt products Just Yoghurt and Yummy Yoghurt
- Revenue of room temperature yogurt and milk beverages declined due to reduced consumption scenarios and consumer mobility under city lockdowns
- Continued RTM development, optimized channel structure, explored opportunities in towns & villages, continued to strengthen channels control



# Continuous Strong Growth for Fresh Milk And Ice Cream Businesses



Fresh milk business coped with the challenges brought by the pandemic in Eastern China, maintaining strong growth

- Net revenue up over 25% YoY
- Rapid growth of the A2, organic and 4.0g milk protein products drove Shiny Meadow to grow 24 times faster than products of the same category, becoming the No.1 fresh milk brand across online channels, continuing to strengthen its leading position in the premium fresh milk market
- Continued product innovation, launched Shiny Meadow's 4.0 low-fat fresh milk in March and "Little Shiny Meadow" in June
- During the pandemic, TianXianPei service and distributors proactively took efforts to meet community group purchase demand in Shanghai, continued to attract new and repeat consumers, significantly enhancing the brand popularity and social reputation of Shiny Meadow
- No. 1 in sales in channels such as Sam's Club, Yonghui Superstores and Sun Art. Sales growth on leading e-commerce platforms such as JD.com and Tmall as well as major fresh product e-commerce platforms also significantly outperformed peers



## Branded ice cream products fully upgraded with channel management strengthened



- Net revenue of domestic ice cream business up 19% YoY
- Innovation and upgrade for the entire product line of major brands such as Suibian, Mood for Green and Deluxe, driving notable improvement in brand power and products competitiveness
- Carried out omni-channel activation and reached all scenarios to strengthen control over sales terminals, and developed emerging channel opportunities such as instant home delivery. Modern channels and e-commerce platforms achieved rapid growth and gradually expanded the business to scenarios including corporate group purchase, catering and scenic spots
- Created innovative crossover products and the "national brand" of ice cream with Moutai Group



# Innovative Breakthroughs in The Chilled Product Business to Strengthen Market Position



Insisted on value-based marketing for chilled product business to achieve rebound of product value

- Under the recurring pandemic, revenue declined in 1H2022
- Continued to build up influential brands beloved by consumers
  - ✓ Continued to upgrade the Yoyi C brand: launched new products 100ml zero sucrose and Every Day Beauty & Every Day Lightness to further expand market share
  - ✓ Champion' s Every Day' s Fresh Yogurt developed successfully and seized market share in the mid-to-high-end spoon eating-yogurt market. The Champion Jianzihao series was launched to help people enhance their immunity
  - ✓ Further expanded zero sucrose & sugar-reduced product portfolio, launched zero sucrose yogurt
- Accelerated the expansion of retail channels such as the home delivery business and community group purchase to offset the impact of store closure during city lockdowns
- Continues to optimize product portfolio, improve cost efficiency and raise profit margin



# Milk Formula Business Strengthens Development of Sub-Segments, Focuses on Product Upgrade



Yashili focused on innovative R&D and promoted product upgrade

- Affected by the pandemic and raw material costs, results fell short of expectations. Infant milk formula business has resumed growth since May by improving gross profit through measures such as adjusting product structure, reducing costs and increasing efficiency, as well as improving sales
- Reeborne, the core infant milk formula brand, has completed the registration application under the “New National Standards” for several products. Upgraded new products will be launched for comprehensive quality and services upgrade of Reeborne products. The innovative application of the can code technology is expected to effectively drive business growth
- Continuously upgraded nutritional products and launched milk powder products for children, the middle-aged and the elderly, meeting various nutritional needs



## Bellamy's actively explored brands and channels to lay a solid foundation

- Affected by the pandemic, the performance of cross-border and Daigou business was weaker than expected; steadily carried out strategic initiatives for long-term development despite sales pressure
- Accelerated online and offline expansion of domestic infant formula business, developed offline flagship stores and promoted complementary foods and snacks such as organic rice cereal on online platforms
- Explored cross-border business opportunities on live-streaming platforms such as Tik Tok and Kuaishou, promoting super high-end product lines
- Launched Chinese-labelled organic kids milk powder products, baby noodles, baby rice crackers and sprouted rice puffs and will launch “Bellamy’ s Gold to support Chinese-style organic feeding





# Long-term Brand-building Strategy with Comprehensive Coverage of World Class Events



Creating a new role model in sports marketing by leveraging the Women's Asian Cup and the Winter Olympics



#Born to Excel#  
Brand Proposition  
+  
Sportsmanship

Supporting China aerospace for 19 years,  
Comprehensive coverage of world class events

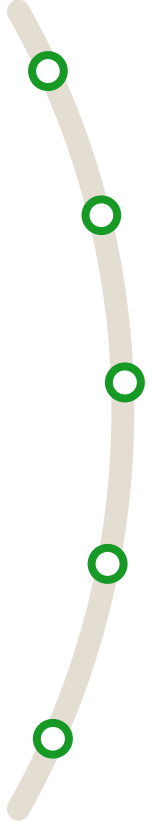




# Focuses on World Cup to Drive Success in "Branding + Sales"



# 2025 ESG Strategy – A More Responsible Mengniu



**Governance – Sustainability**

**Responsibility – Common Prosperity**

**Environment – Carbon Net-Zero**

**Ecosystem – Collaborative & Accountable**

**Nutrition – Supreme & Inclusive**



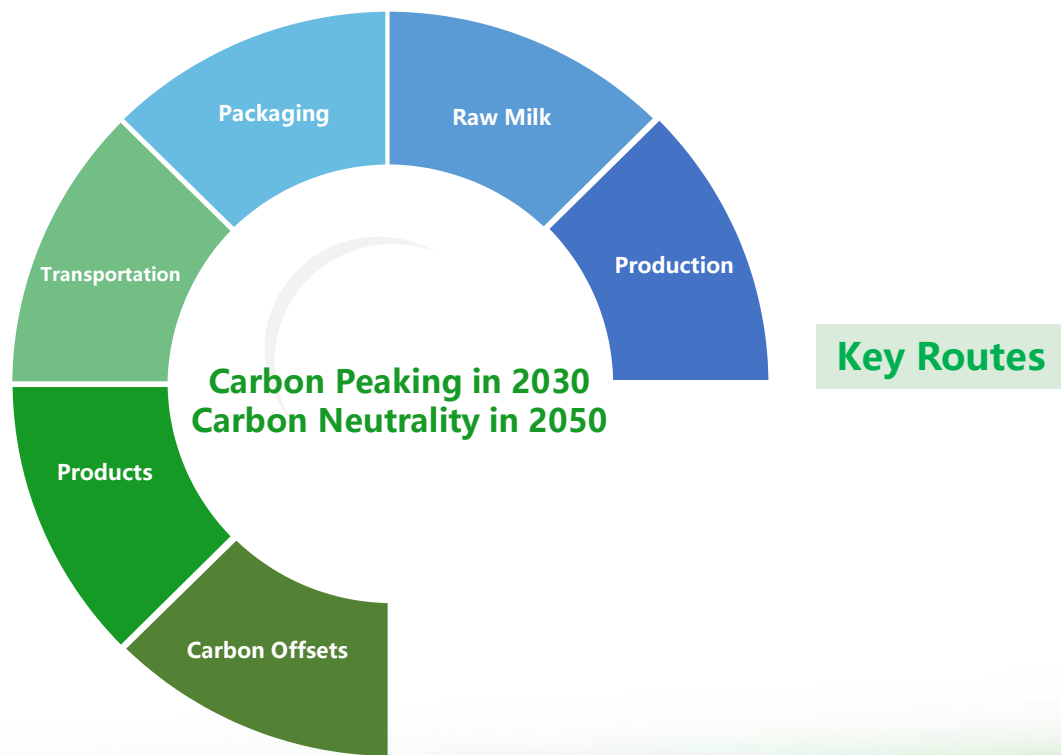
# A More Responsible Mengniu – Establishes Dual-Carbon Goals



**Phase I**  
To control the carbon emission intensity per tonne of dairy product within 165kgCO<sub>2</sub>e/t in 2025

**Phase II**  
To achieve the peaking of absolute value of Scope 1 and 2 carbon emission, and control the carbon emission intensity per tonne of dairy product within 160kgCO<sub>2</sub>e/t in 2030

**Phase III**  
To continue to promote 15 key initiatives, with the proportion of renewable energy increasing and the carbon footprint of products decreasing year by year, so as to achieve carbon neutrality of Scope 1, 2 and 3 in 2050



## ■ Production

- Improving capacity utilisation
- Improving production-purposed energy efficiency
- Recycling surplus energy
- Optimising energy structure

## ■ Packaging

- Optimising packaging materials structure
- Changing packaging forms
- Reducing excessive packaging

## ■ Products

- Developing low-carbon products

## ■ Raw Milk

- Adjusting feed composition and structure
- Managing and optimising cow herd structure
- Optimising manure management
- Improving energy efficiency in ranches

## ■ Transportation

- Upgrading logistics vehicles to electric vehicles
- Replacing fossil fuels with biomass fuels

## ■ Carbon Offsets

- Rational application of carbon offsets



# Making Progress Against Our ESG Strategies



## ESG Management

- After responding to CDP Climate Change Questionnaire in 2021, responded to questionnaires regarding Forests, Water Security and Climate Change in 2022
- Developed an ESG data management system that covers 500+ indicators used by major ESG ratings, increasing the level of digitalization in ESG management
- Established a new category of “carbon neutrality” in innovation competition, incubating 12 low-carbon innovation projects covering the whole industrial chain



## Responsible Supply Chain

- Became a member of the SEDEX responsible business information platform
- Modern Dairy and China Shengmu have completed carbon audits and started strategic planning for carbon neutrality
- The two RNG cogeneration projects of Modern Dairy has connected to the grid, generating electricity from raw materials such as dairy cows’ faeces and straw
- Modern Dairy’ s Shanghe Farm received the first Farm Animal Welfare Certification for Dairy Products in China



## Production

- Factory in Qujing, Yunnan was awarded the first Green Electricity Certification within the group, with an annual green electricity consumption ratio of 88.68%
- Mengniu and its subsidiary in Ulanhot were named Water-saving Benchmark Enterprise and Water-saving Enterprise in 2021 by the Industry And Information Technology Authority of the Inner Mongolia Autonomous Region. Mengniu’ s goal is to reduce water consumption per ton of dairy products by 6% between 2020 and 2025



## Products and Packaging

- Became the co-founder of Alibaba's low-carbon friendly action
- Milk Deluxe’ s desert organic product and two products of Yoyi C have passed the CGF Golden Design Rules Certification
- Yoyi C products were listed on the Carbon88 platform of Alibaba and have been certified as low-carbon friendly products



## Environment

- Milk Deluxe and Bellamy’ s organised charity activities for afforestation and biodiversity protection with China Environmental Protection Fund and China Green Foundation
- Shiny Meadow launched an empty bottle recycling initiative with LOVERE

# Proactively Grasps Industry Opportunities to Ensure Quality Growth



## Macro Trends

## Our Strategies



**Increasing health awareness of consumers benefiting dairy products**

- Accelerating development of categories such as fresh milk, cheese and organic milk
- Focusing on investing in categories and brands with solid growth momentum
- Accelerating the launch of new products and strengthening consumer communication, brand-building as well as channel foundation



**Aging population leading to huge potential for "silver economy"**

- Strengthening product portfolio of and marketing investment in middle-aged and elderly milk formula



**Rapid growth of the cheese market under the backdrop of consumption upgrade of dairy products, low penetration of cheese consumption, and emerging diversified consumption scenarios like home baking**

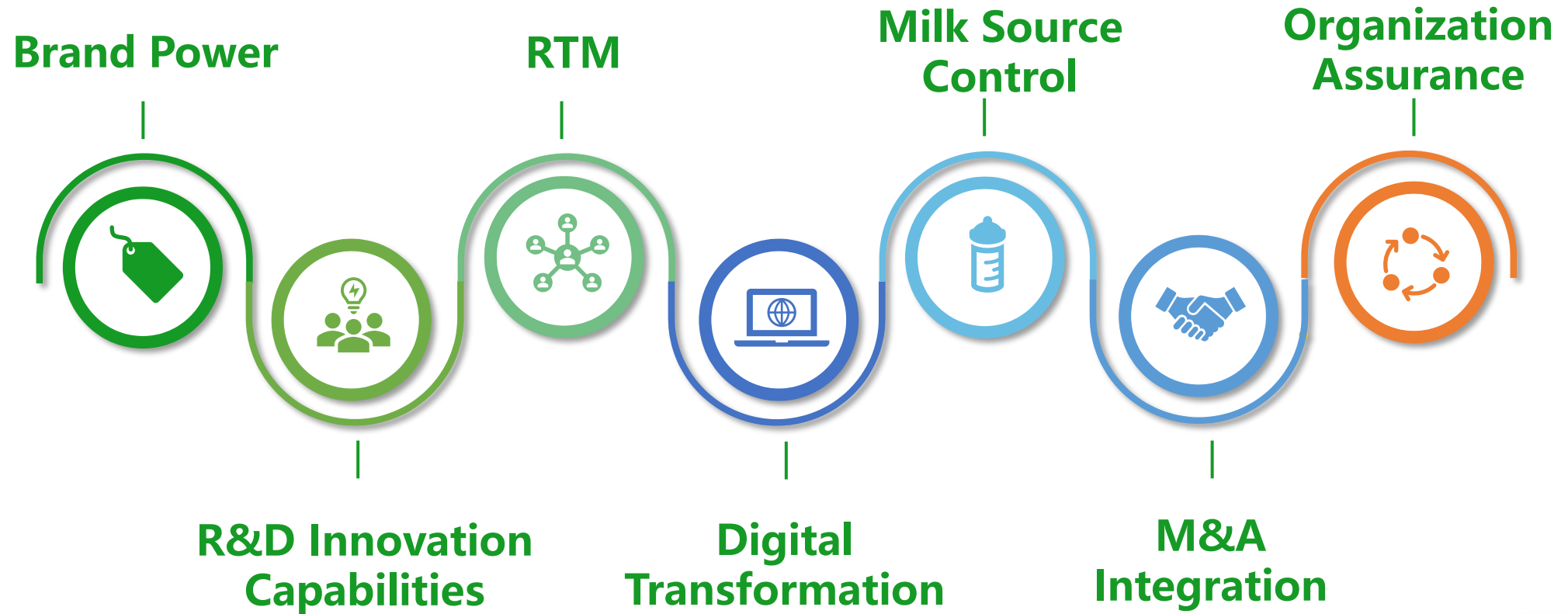
- Accelerating innovation of foodservice and retail cheese products
- Empowering Milkground to realize comprehensive synergies



**Raw milk prices remaining stable in short-term and rise in other raw material costs; recurrent pandemic outbreak leading to uncertainties**

- Proactive cost control
- Continuing to improve category mix and products portfolio
- Leveraging sports-related marketing resources such as the World Cup and Olympic Games to improve branding and marketing cost efficiency

# Continuing to Build Up Core Competence – Creating A New Mengniu





# Creating A New Mengniu in Five Years







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# Q&A