



China Mengniu Dairy Company Limited (2319.HK)

2023 Annual Results



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Management Team

Lu Minfang

Vice Chairman & Executive Director

Gao Fei

Chief Executive Officer & Executive Director

Wang Yan

Vice President & Executive Director

Zhang Ping

Chief Financial Officer

Luo Yan

Vice President

Li Pengcheng

Vice President

Chen Yiyi

Vice President

Chris Kwok

Company Secretary

2023 Financial Overview





Financial Highlights

RMB million	2022	2023	YoY
Revenue	92,593	98,624	6.5%
Gross Profit	32,690	36,640	12.1%
Gross Margin	35.3%	37.2%	+1.9ppt
Operating Profit ⁽¹⁾	5,423	6,171	13.8%
Operating Margin	5.9%	6.3%	+0.4ppt
EBITDA	9,120	9,507	4.2%
EBITDA Margin	9.9%	9.6%	-0.3ppt
Profit Attributable to Owners of the Company	5,303	4,809	-9.3%
Net Profit Margin Attributable to Owners of the Company	5.7%	4.9%	-0.8ppt
Basic EPS (RMB)	1.342	1.220	-9.1%

Note: (1) Operating profit = Gross profit - Selling and distribution expenses, Administrative expenses, Educational surcharges, City construction tax, and other taxes.

Revenue Breakdown by Segments

RMB million	2022	2023	YoY	2023 % of Revenue	YoY
Liquid Milk	78,269	82,071	4.9%	83.2%	-1.3ppt
Ice Cream	5,652	6,026	6.6%	6.1%	+0.0ppt
Milk Formula	3,862	3,802	-1.6%	3.9%	-0.3ppt
Cheese ⁽¹⁾	1,321	4,357	229.8%	4.4%	+3.0ppt
Others	3,489	2,368	-32.1%	2.4%	-1.4ppt
Total	92,593	98,624	6.5%	100.0%	/

Note: (1) Milkground is consolidated from December 2022 onwards.

Cash Flow, CAPEX and Shareholder Return

Net Cash Inflows from Operating Activities

RMB million

8,333

8,349

2022

2023

Capital Expenditure - Property, Plant & Equipment

RMB million

5,065

4,135

2022

2023

Shareholder Return

Share repurchase

HKD796 million

Cash dividends

RMB million

1,590

1,924

2022

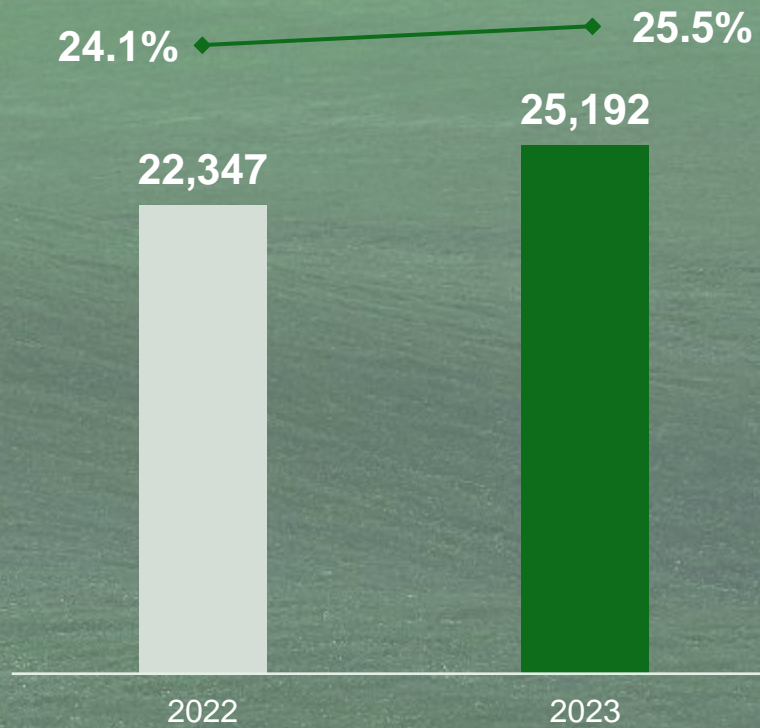
2023



SG&A Expenses

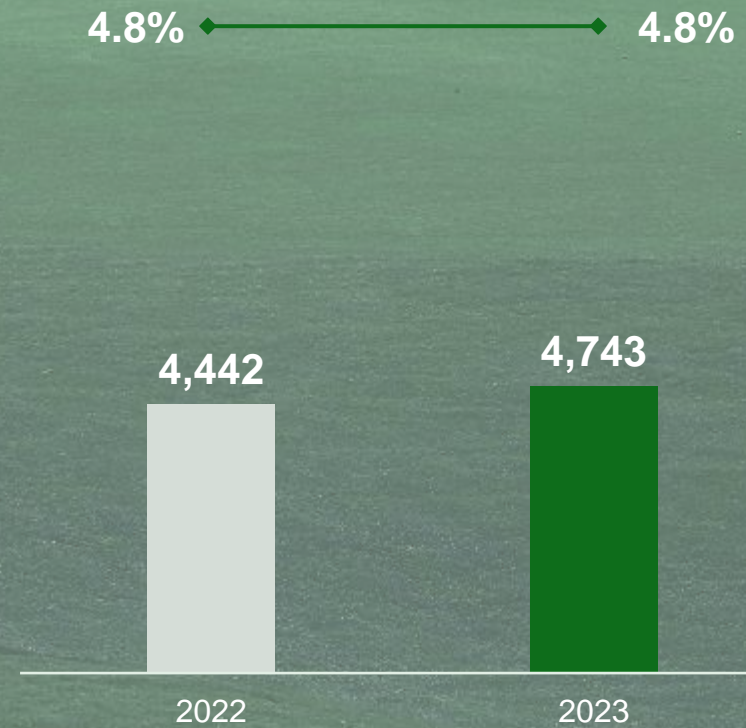
Selling & Distribution Expenses

RMB million



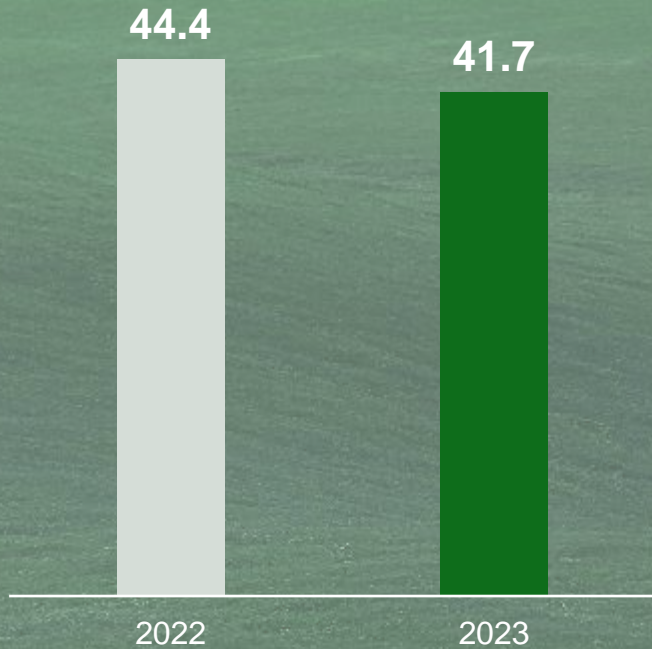
Administrative Expenses

RMB million

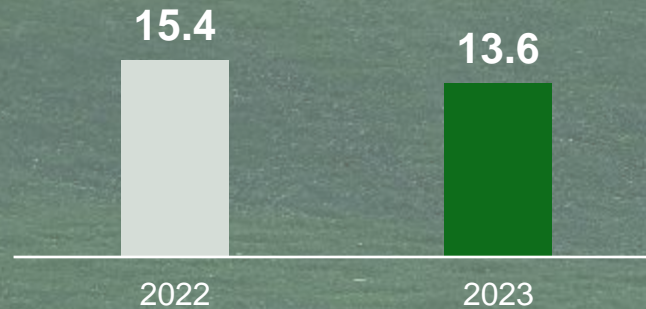


Operational Efficiency Indicators

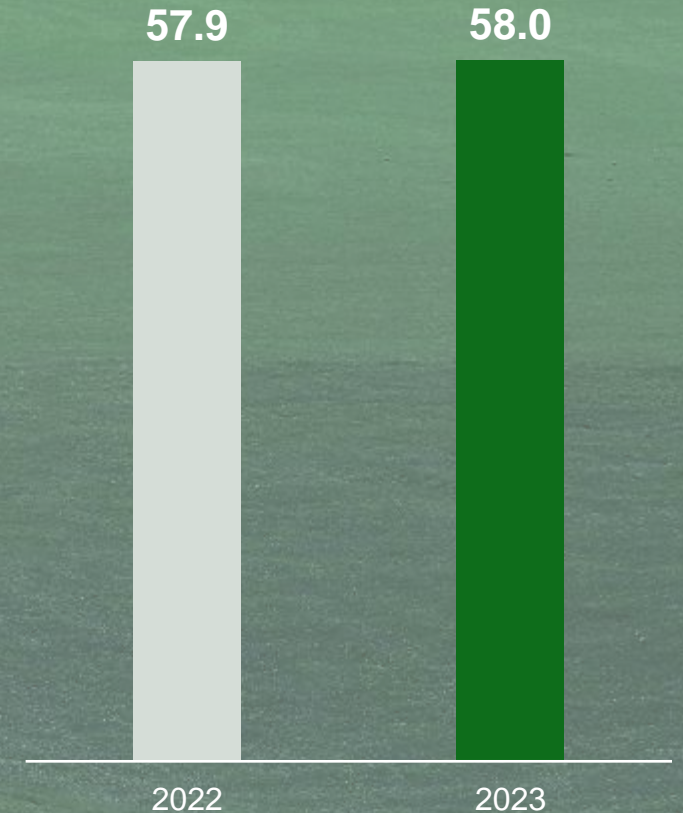
Inventory Turnover (Days)



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



2023

Business Review

02

Continuously led the room temperature liquid milk industry;
Digitalized innovation drove high-quality growth

- Room temperature liquid milk led industry growth and continuously grew its market share
- The parent brand surpassed industry growth. High-end milk gained larger market share and organic series saw double-digit growth. Milk beverages grew faster than the industry, boosting market share.
- Category innovation: Milk Deluxe desert organic milk defined premium quality. Lactose-free products offered functional nutrition and broadened the base of milk consumers. Fruit Milk Drinks catered to outdoor leisure consumption.
- Channel: Boost omni-channel efficiency through online-offline integration and expedite rural expansion with better township reach
- Digital Transformation: Accelerate to increase new quality productivity and enhance member experience through precise engagement



Restored category value;
Chilled product business achieved high-quality growth

- Despite market trends indicating a decline in sales for the category, Mengniu's chilled yogurt products achieved positive growth, maintaining a market share lead for 19 years and expanding the competitive advantage
- Insight into consumer demands, restoring category value, driving growth through innovation
- Mengniu, "YO!FINE DIARY," and "Champion" strengthened their brand and category recognition in different yogurt segments
- Tailored for the Chinese population, "Yoyi C" drives growth in the probiotics drink segment with "A Journey of Probiotics Discovery"
- RTM digital transformation drove growth across all channels
- Enhancing new quality productivity to achieve growth in volume and profit



**Fresh milk business sustained growth in volume and profit;
“Shiny Meadow” solidified its lead in the high-end fresh milk segment**

- The fresh milk business continued to maintain steady growth, with volume and profit increasing three years in a row
- “Shiny Meadow” ranked No. 1 in brand strength and high-end brand recognition. High-end product lines like “4.0 Fresh Milk” and “British 4.0 Fresh Jersey Milk” drove rapid growth
- “Shiny Meadow” has been intensely cultivating the “light fresh milk” segment, building connections with young consumers through “light” charity initiatives, while achieving sales growth of more than 200%
- “Shiny Meadow” maintained its top position in terms of market share across online platforms for three years in a row, with offline core channels like Walmart, Sam’s Club, and Yonghui maintaining the No. 1 market share
- Building capabilities in channel digitalization to enhance efficiency and connections with consumers



**Ice cream business actively achieved innovative breakthroughs;
“Aice” accelerated its expansion in Southeast Asia**

- Actively promote innovation in the product portfolio to transcend seasonal limitations and expand consumption scenarios
- Focus on point-of-sale channel expansion and market distribution, and strengthen development of products tailored for different channels
- “Aice” achieved high revenue and profit growth, ranking first in terms of market share in Indonesia, and third in the Philippines with above-expected growth, while actively expanding into markets such as Vietnam and Thailand
- Accelerating sales with a rich product mix and diverse channels in concert with Olympics marketing



**Milk formula business model transformed;
Strengthened functional nutrition
offerings for different segments**

- “Bellamy's” seized the opportunities that arose from a recovery in the cross-border channel, strengthened brand operations, price management, channel execution, and supply-chain efficiency to drive sales growth of more than 40%
- Seizing opportunities from new national standards, strengthening new formula competitiveness: The “Reeborne” brand launched the “Enzhi” series, the first product with MLCT structured lipids, which was the leader in establishing HMOs standards
- Grasping the opportunities presented by an aging population, “Yourui” focused on creating exclusive-formula products tailored for middle-aged and elderly consumers
- Completion of “Dumex” disposal and “Yashili” privatization, strengthening organization and brand consolidation, refining product portfolio



**Cheese business has continuously
expanded market share;
Enhanced To-B and To-C development**

- The cheese industry in China is still in its infancy, with a long-term development outlook that is also broad
- “Milkground” maintained its No.1 position in terms of market share, with top brands accelerating industry concentration
- Product portfolio expands from children's snacks to adult snacks, baking, beverages, catering and other sub-markets, reinforcing dual To-B and To-C development



Advancing the “GREEN” Development Strategy

Key Initiatives



On track to achieve our dual-carbon, water management, and zero-deforestation goals

Published



- 《Forest Protection Policy》
- 《Animal Welfare Policy》
- 《Nutrition and Health Policy》
- 《Responsible Marketing Policy of Breast-Milk Substitutes》



Launch of low-carbon and carbon-neutral products

Ratings and Honors



Industry leader -
Upgraded from A to AA



No. 1 among Chinese companies



Top 10% in the global food industry

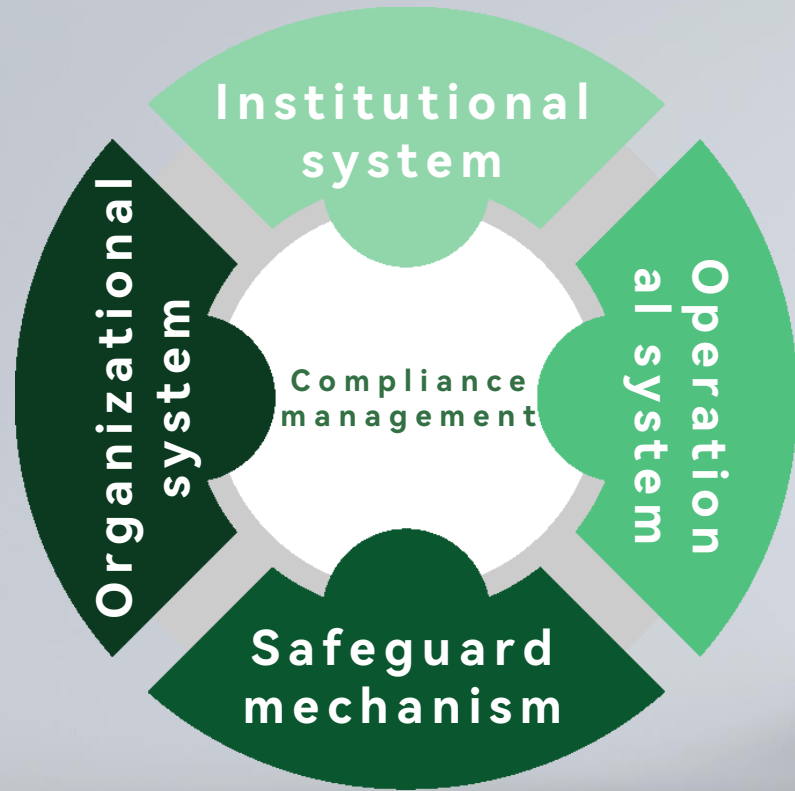


Selected for the Sustainability Index for
four consecutive years



Best Employer of the Year
in China
Best ESG Practice Employer

ESG: Upgrading the Compliance Governance System



Certifications and Awards



CQC/SGS Compliance Management System Certificates

Five CBLJ In-House Counsel Awards in 2023

2024 Outlook

03



China's Dairy Industry: Entering the Second-Half Phase of Development

❑ **Stable growth:**

China's dairy industry is entering into a period of stable growth.

❑ **Oversupply of raw milk :**

Oversupply of raw milk in the current period is bringing in industry-wide challenges.

❑ **Channel restructuring:**

Both online and offline retail channels are facing restructuring and there is significant room for growth in To-B channels and new consumption scenarios.

❑ **The resilience of demand:**

Pure milk consumption resilience remains strong. However, consumer demands for diversified, functional, and precise nutrition are leading to structural challenges and opportunities.

❑ **Consumption upgrade:**

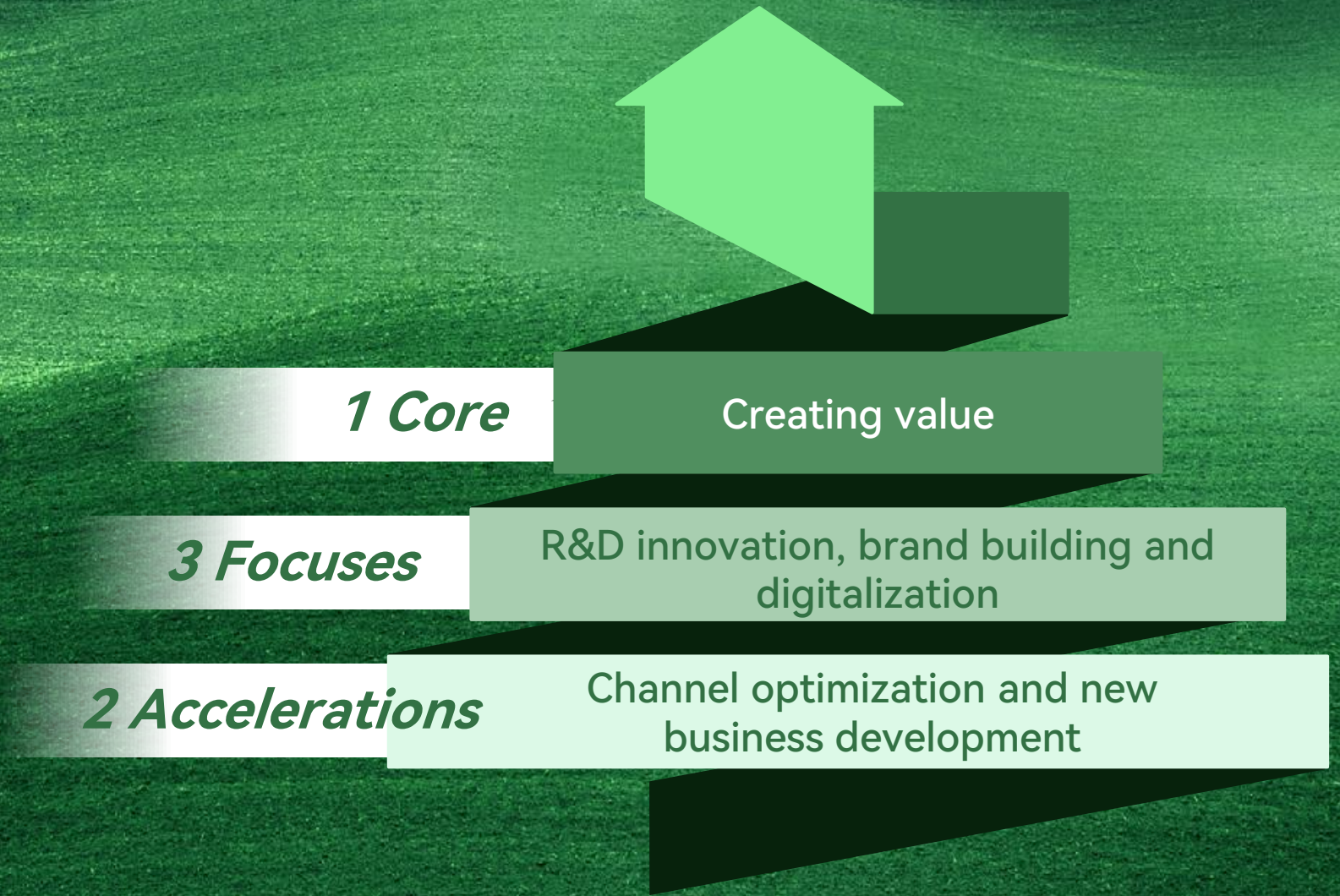
The shift and upgrade from “drinking milk” to “eating milk” has long-term development potential, with market cultivation required.

❑ **Leading players' advantage:**

Leading players are continuously expanding their market share advantage in various subcategories.



Firmly Advancing the “FIRST” Strategy With the “1-3-2” Code for High-Quality Growth



1 Core: Creating value with quality growth



Leading on sustainable development across the entire industry value chain



Offering dairy products that are nutritious, healthy, and tasty



Delivering higher returns to shareholders



Focusing on R&D Innovation to Meet Diverse Consumer Needs

Upgrading products to offer premium, delicious options



Personalized and functional nutrition



Biotechnological advances



Milk Science



Nutrition Science



Biotechnology

Concentrating on brand-building to fully activate brand competitiveness



奥林匹克全球合作伙伴
Olympic Worldwide Partners



2026FIFA世界杯全球官方赞助商
The Global Official Sponsor of the FIFA World Cup 2026
2030FIFA世界杯全球官方赞助商
The Global Official Sponsor of the FIFA World Cup 2030



中国航天事业战略合作伙伴
A Strategic Partner of China's Aerospace Industry



NBA中国官方市场合作伙伴
Official Marketing Partner of NBA China



中国足协中国之队官方合作伙伴
Official Partner of Chinese Football Association CHINA TEAM



上海迪士尼度假区官方乳品合作伙伴
Official Dairy Partner of Shanghai Disney Resort

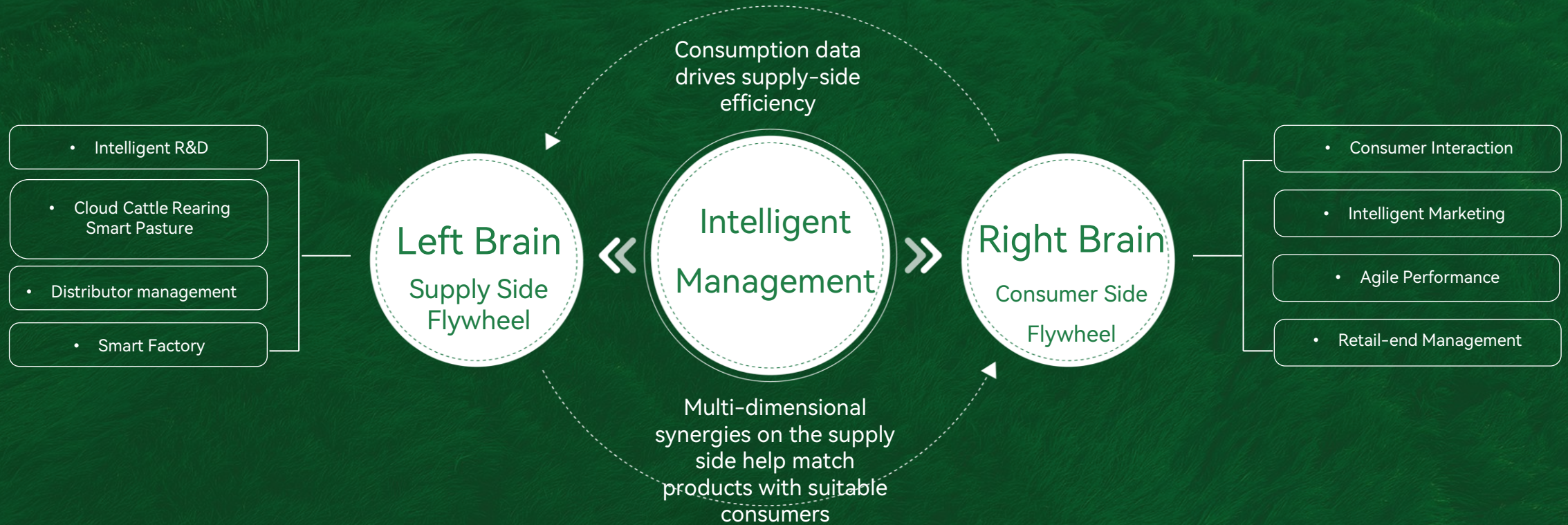


北京环球度假区官方合作伙伴
Official Partner of Universal Beijing Resort

Nutrition in Every Droplet, Blossom in Every Living



Focusing on digitalization to forge new quality productivity



Continuously drive **innovation and transformation in business models, management operations, and consumer communication.**

Accelerate channel optimization

- Continue to consolidate the distributor-centric and subsidiary-direct sales model
- Advance the KA vertical pilot program and strengthen sales efficiency for top retail clients
- Penetrate rural areas with digital tools and sustain rural market expansion and control
- Embrace new retail channels and scenarios such as O2O, community service, and live-streaming sales and focus on fulfillment capability and efficiency
- Speed up the expansion in To-B channels and specialized dairy products

Key Focuses for 2024:

- ✓ Further enhance the market coverage breadth and depth of room temperature liquid milk
- ✓ Consolidate the leading position of room temperature liquid milk in new retail channels
- ✓ Optimize product structure to achieve breakthroughs in chilled yogurt sales through online channels
- ✓ Drive marketing innovation to solidify our leading position in fresh milk in new retail channels

In-depth distribution capabilities

Omni-channel control capabilities

Channel operation efficiency

Accelerate the Development of New Businesses

M-ACTION: Becoming a Leader in China's Professional Sports Nutrition

Key Focuses for 2024 and the Mid-term:

- Concentrate on essential research in sports nutrition and the development of sports-nutrition food products
- Focus on professional sports marketing to build brand influence among the community of sports enthusiasts.
- Expand DTC channels and actively develop offline channels; become the first liquid protein product offered at Sam's Club



Biotechnological Innovation Achievements in HMO: Accelerating Commercialization

- The first Chinese HMO raw material enterprise approved by the National Health Commission
- The first Chinese HMO raw material enterprise to pass the U.S. Self-GRAS certification
- The first Chinese HMO raw material enterprise to enter the U.S. FDA GRAS and the EU Novel Food Certification Approval Process
- Received the first production license
- Commercialized applications:



Q&A
