



CHINA MENGNIU DAIRY COMPANY LIMITED

(2319.HK)

2023 Interim Results

August 2023



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Management Team

Lu Minfang

Chief Executive Officer & Executive Director

Wang Yan

Vice President & Executive Director

Zhang Ping

Chief Financial Officer

Gao Fei

Senior Vice President

Luo Yan

Vice President

Chen Yiyi

Vice President

Li Pengcheng

Vice President

Chris Kwok

Financial Controller & Company Secretary

01 Financial Overview



Financial Overview

RMB million	1H2022	1H2023	YoY
Revenue	47,722	51,119	7.1%
Gross Profit	17,459	19,630	12.4%
Gross Profit Margin	36.6%	38.4%	+1.8ppt
Operating Profit	2,520	3,275	29.9%
Operating Profit Margin	5.3%	6.4%	+1.1ppt
EBITDA	5,486	5,178	-5.6%
EBITDA Margin	11.5%	10.1%	-1.4ppt
Profit Attributable to Owners of the Company	3,751	3,020	-19.5%
Net Profit Margin Attributable to Owners of the Company	7.9%	5.9%	-2.0ppt
Profit Attributable to Owners of the Company (Excluding One-off P&L Items)	2,977 ⁽¹⁾	3,104 ⁽²⁾	4.3%
Net Profit Margin Attributable to Owners of the Company (Excluding One-off P&L Items)	6.2%	6.1%	-0.1ppt
Basic EPS (RMB)	0.949	0.765	-19.4%

Note: (1) Excluding the fair value gain on other financial liabilities of RMB773.9 million; (2) Excluding the withholding taxes of RMB84.3 million (calculated at 5% tax rate) arising from the distribution made by domestic subsidiaries

Revenue Breakdown by Segments

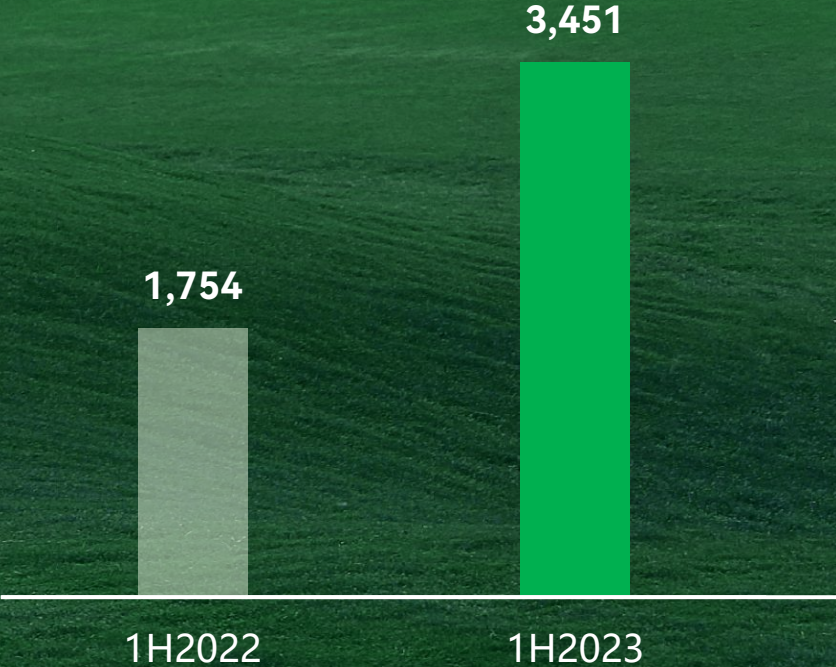
RMB million	1H2022	1H2023	YoY	1H2023 % of Revenue	YoY
Liquid Milk	39,665	41,640	5.0%	81.5%	-1.7ppt
Ice Cream	3,904	4,309	10.4%	8.4%	0.2ppt
Milk Formula	1,894	1,894	0.0%	3.7%	-0.3ppt
Cheese ⁽¹⁾	545	2,256	313.6%	4.4%	3.3ppt
Others	1,714	1,019	-40.5%	2.0%	-1.6ppt
Total	47,722	51,119	7.1%	100%	/

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

Cash Flow and CAPEX

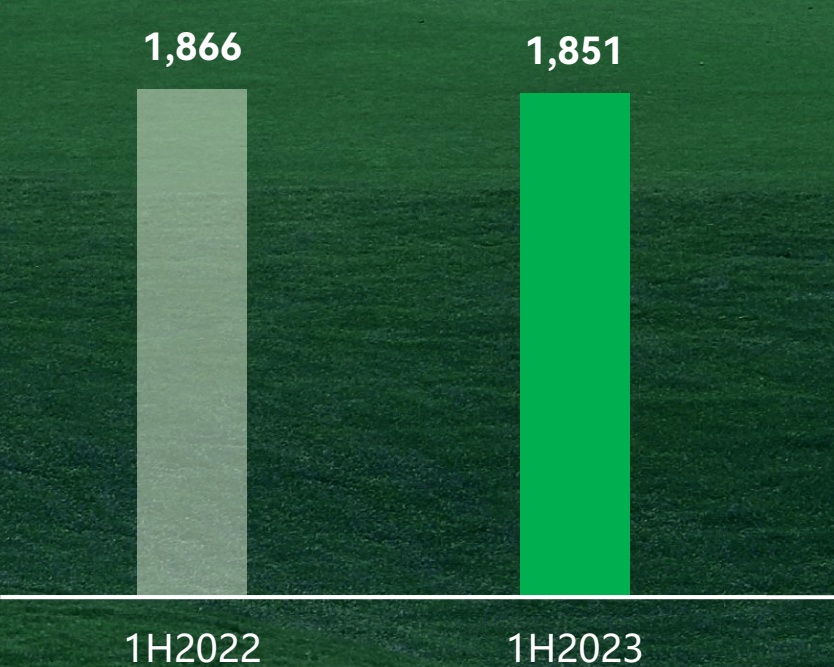
Net Cash Inflows from Operating Activities

RMB million



Capital Expenditure - Property, Plant & Equipment

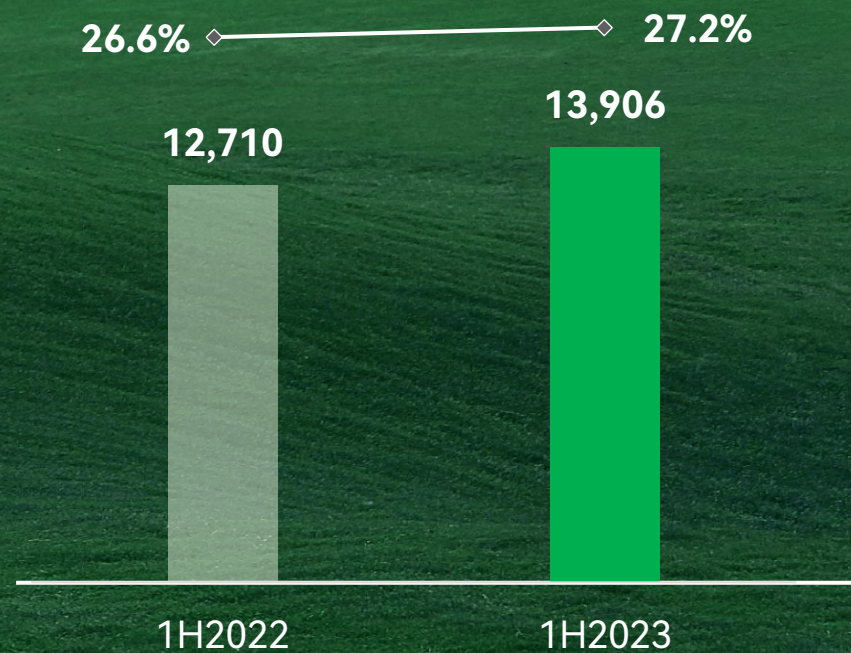
RMB million



SG&A Expenses

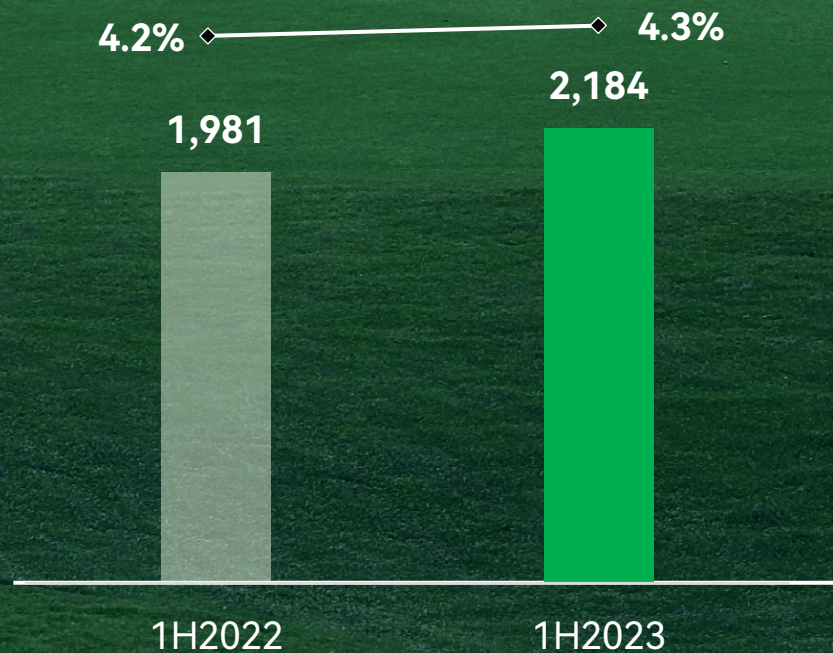
Selling & Distribution Expenses

RMB million



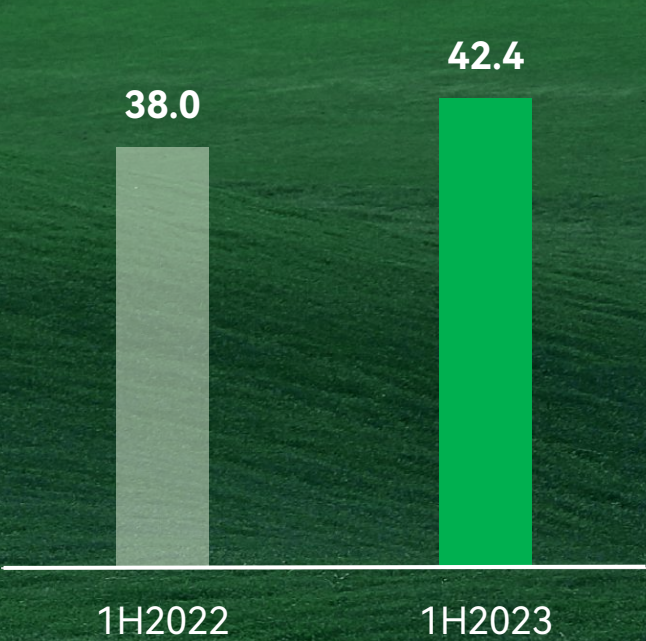
Admin Expenses

RMB million



Operational Efficiency Indicators

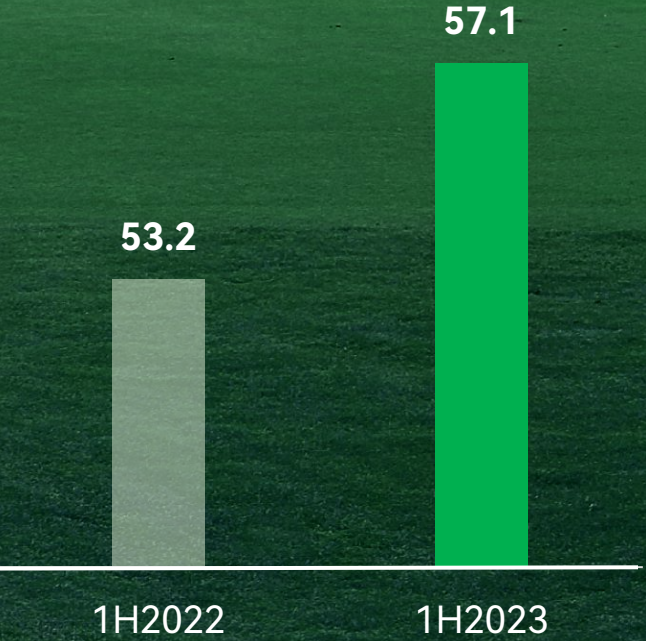
**Inventory Turnover
(Days)**



**Receivables Turnover
(Days) ⁽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



1H2023 Business Review

Focused on High-Quality Growth and Continued to Improve Operating Margin

Core Business

Liquid milk expanded against the soft market backdrop
Milk powder and ice cream saw steady improvement



Brand Equity

Committed to building a brand driven business



Smarter

Drive digitalization across the whole industrial chain



Greener

Lead the entire industry towards net-zero carbon emission



1H Review

Room temperature liquid milk business led market growth, Milk Deluxe further expanded leading edge in high-end segment

- Mengniu became China's top seller of UHT milk, overtaking the No. 1 market share
- Milk Deluxe: double-digit growth, with the high-end Organic Dream Cap series remaining No. 1 in organic segment
- Room temperature milk beverages: innovative new products drove sales and profit growth for brands such as Fruit Milk Drink and Suan Suan Ru
- New retail: ranked No. 1 in sales of room temperature liquid milk on JD.com, Tmall and Pinduoduo
- Promoted omni-channel operations and penetration into lower-tier markets, enhancing control of end-market sales and distribution efficiency



Chilled product business focused on category value, driving yoghurt return to growth

- Maintained No. 1 market share for 19th consecutive year
- “Tasty + Innovative” product mix covering nutritious, functional and delicious offering to drive long-term growth
- Launched new high-end brand “YO! FINE DIARY”, advertised as “spoon-licking good”
- Upgraded Champion's immune boosting yogurt, which is positioned as a functional product
- Launched fresh yogurt fermented with 100% raw milk, which is positioned as a product with high nutritional value
- Yoyi C focused on its positioning as “probiotics tailor-made for Chinese people” and functional consumption cases



1H Review

Fresh milk business continued rapid growth Shiny Meadow ranked as the No. 1 brand of high-end fresh milk

- Shiny Meadow grew at a double-digit rate and continued to increase its market share, ranking as the No. 1 high-end fresh milk, and the proportion of high-end products in its revenue mix increased by 18ppt
- Home delivery business gained momentum, with online share and position on JD.com remaining No. 1
- Maintained leading position in fast-growing new retail channels: Ranked No. 1 on major fresh e-commerce platforms like Meituan Maicai and Pupu Mall
- Sales via offline channels posted high year-on-year growth and the fresh milk business ranked first in sales share in Sam's Club, Yonghui Superstores and Walmart
- Shiny Meadow maintained No.1 brand awareness attributable to its "high quality" and "high-end" image
- H1 sales for Xiaoxianyu, a sub-brand popular among young people, were more than twice last year's full-year sales volume



Ice cream business leveraged innovative breakthroughs to achieve third straight year of double-digit growth

- Net sales maintained double-digit growth
- Continued to innovate new flavour profiles and explore new scenarios and modes for ice cream consumption
- Achieved breakthroughs in overseas markets – Aice maintained strong sales growth and expanded profit margins; No. 1 market share in Indonesia, No. 2 in the Philippines; launched business in Vietnam, Thailand, Laos, Cambodia, etc.



1H Review

Milk formula business took advantage of new national standards to upgrade its product mix

- Six product lines, including Reeborne and Bellamy's, passed the registration under the new national standards, and five were launched in H1
- Bellamy's significantly grew its distribution footprint in major distributors and mother-and-baby retail chains, and remained the No. 1 cross-border e-commerce brand for organic milk powder
- In the domestic infant formula market, the Group focused on the Reeborne brand, launching new products to strengthen the brand foundation and promoting "channel-wide integrated management" to drive growth
- Yourui upgraded its formula offering, positioning itself to address the increasing demand for functional milk formula for the middle-aged and elderly as the population ages



Cheese business linked up with Milkground to lead this emerging segment

- China's per capita consumption of cheese is low (0.2 kg per capita in 2021) with huge room for long-term growth
- Focused on growing the cheese stick segment by stabilizing sales of chilled cheese sticks while expanding the market for room temperature cheese sticks
- Actively developed new products for adults, family meals and the catering industry
- Mengniu + Milkground: the absolute leader in China's cheese market



Executing Our Long-term Branding Strategy to Build a World-renowned Chinese Brand



Drive RTM Transformation Reinforce Channel Control

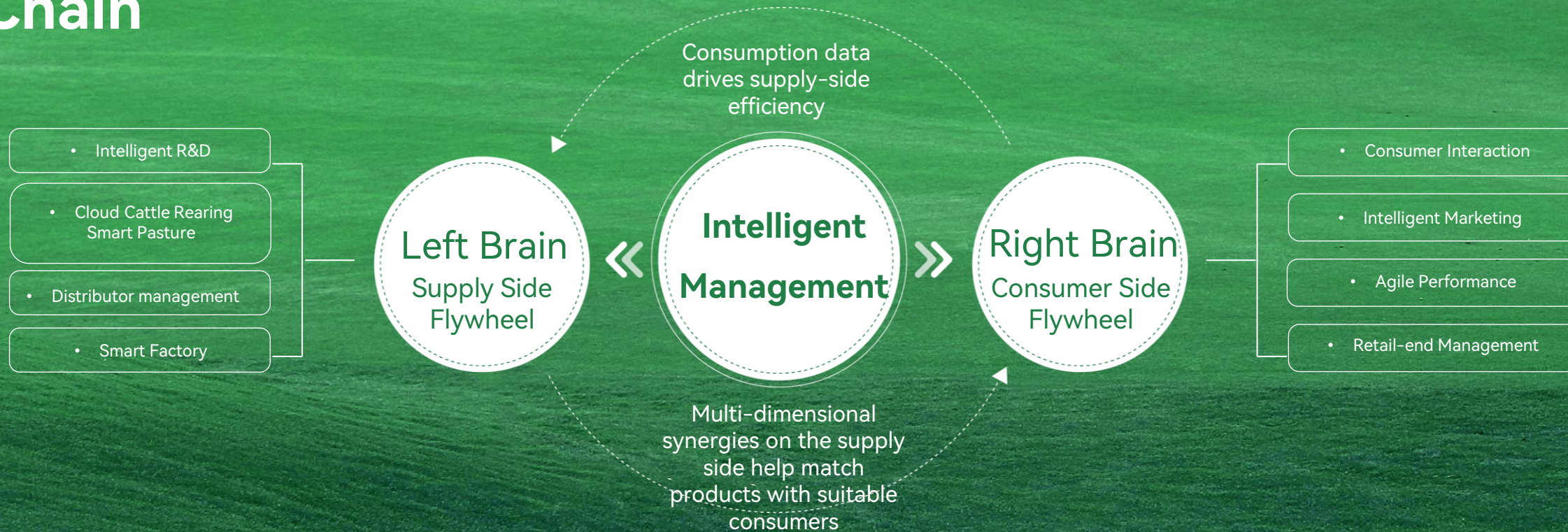


- Continue to consolidate the Distributor-Centric and Subsidiary-Direct-Sales model
- Advance the KA vertical pilot program and strengthen sales efficiency for top retail clients
- Elevate urban grocery store coverage through the Store-Warehouse Integration model
- Penetrate rural areas with digital 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 fulfilment capability and efficiency

Continue to strengthen channel infrastructures, and steadily enhance distribution capability across all categories



Smarter: Drive Digitalization Across the Whole Industrial Chain



Ningxia Factory
A Fully Intelligent
Factory



MENGNU.GPT
+
AI Nutritionist
Meng Meng

Greener: 2025 ESG Strategy

GREEN

Vision: Defending the common health of people and the Earth

Mission: More nutritious products, better lives and a more sustainable Earth

G

Governance – Sustainability

R

Responsibility – Common Prosperity

E

Environment – Carbon Net-zero

E

Ecosystem – Collaborative & Accountable

N

Nutrition – Supreme & Inclusive

500+ capital market ESG indicators

178 Mengniu sustainable development indicators

15 sustainable development issues & 28 initiatives

5 sustainable development pillars

GREEN sustainable development strategy

Greener: Making Progress Towards Our ESG Goals



Farm



- Milk source carbon reduction: Cooperative farms achieved a reduction of **180,000 tons** of carbon dioxide equivalent in 2022
- China Modern Dairy and Shengmu saw a **decrease in their carbon emission intensity** in 2022
- Pilot **photovoltaic project** in farms
- Released the first domestic "**Group Standard for Carbon Management of Farms**" in cooperation with China Modern Dairy



Product



- Launched two **carbon-neutral** products and six **low-carbon** products
- Launched China's first yoghurt with **single-material recyclable packaging**



Production



- Total water consumption and intensity **declined for the 3rd consecutive year**
- The Qujing factory in Yunnan became China's first dairy factory to receive **both international and domestic zero-carbon factory certifications**
- Three factories were awarded the TÜV Rheinland **landfill-free** waste management system certification
- The Ningxia factory, the world's first fully intelligent dairy factory, commenced operation, achieving energy consumption **43% lower** than traditional factories

Continued to advance towards "reaching carbon peak in 2030 and carbon neutrality in 2050"

Zero Deforestation by 2030

Joined the global initiative to grow, restore and conserve one trillion trees

2023 Outlook

Committed to High-Quality Growth

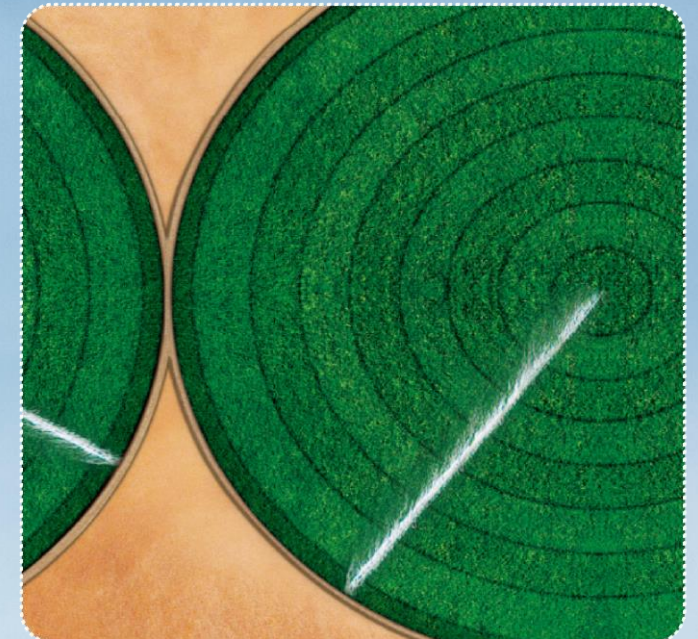
More Nutritious



Smarter



Greener





03

Q&A
