



CHINA MENGNIU DAIRY COMPANY LIMITED
(2319.HK)

2022 Annual Results

March 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



Financial Overview



Financial Highlights



RMB million	2020	2021	2022	YoY
Revenue	76,035	88,141	92,593	5.1%
Gross Profit	28,629	32,390	32,690	0.9%
Gross Margin	37.7%	36.7%	35.3%	-1.4ppt
Operating Profit	3,514	4,862	5,423	11.6%
Operating Margin	4.6%	5.5%	5.9%	0.4ppt
Operating Profit (Excluding new SBC Expenses)	3,514	4,914	5,989	21.9%
Operating Margin (Excluding new SBC Expenses)	4.6%	5.6%	6.5%	0.9ppt
EBITDA	5,779	7,980	9,120	14.3%
EBITDA Margin	7.6%	9.1%	9.9%	0.8ppt
Profit Attributable to Owners of the Company	3,525	5,026	5,303	5.5%
Net Profit Margin	4.6%	5.7%	5.7%	-
Profit Attributable to Owners of the Company (Excluding One-off P&L Items)	3,525	5,026	5,302	5.5%
Net Profit Margin (Excluding One-off P&L Items)	4.6%	5.7%	5.7%	-
Basic EPS (RMB)	0.897	1.274	1.342	5.3%

Revenue Breakdown by Segments



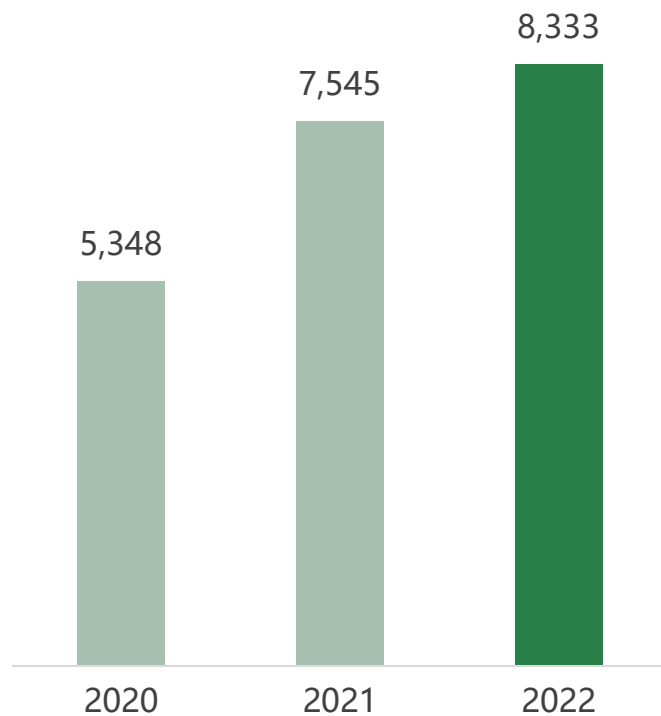
RMB million	2020	2021	2022	YoY	2022 % of Revenue	YoY
Liquid Milk	67,751	76,514	78,269	2.3%	84.5%	-2.3ppt
Ice Cream	2,634	4,240	5,652	33.3%	6.1%	+1.3ppt
Milk Formula	4,573	4,949	3,862	-22.0%	4.2%	-1.4ppt
Others	1,077	2,438	4,810	97.3%	5.2%	+2.4ppt
Total	76,035	88,141	92,593	5.1%	100.0%	/

Cash Flow And CAPEX



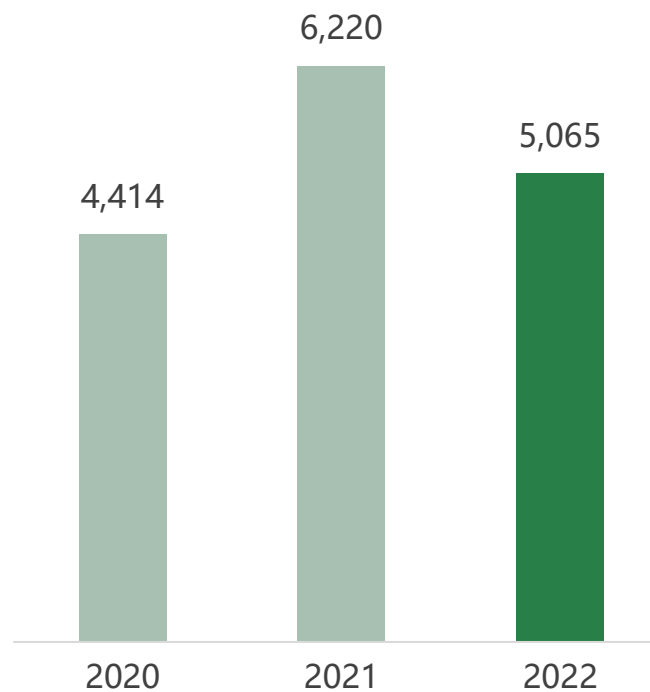
Net Cash Inflows from Operating Activities

RMB million



Capital Expenditure - Property, Plant & Equipment

RMB million

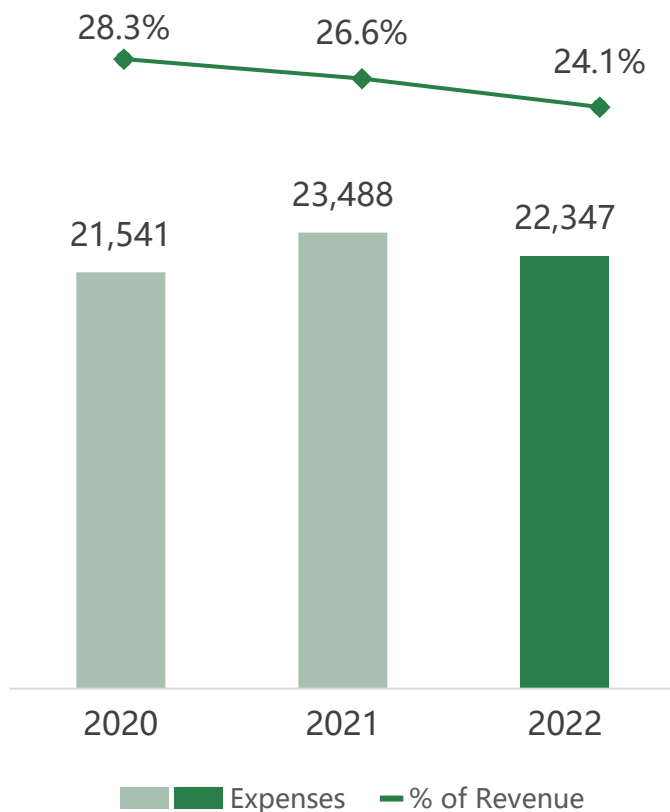


SG&A Expenses



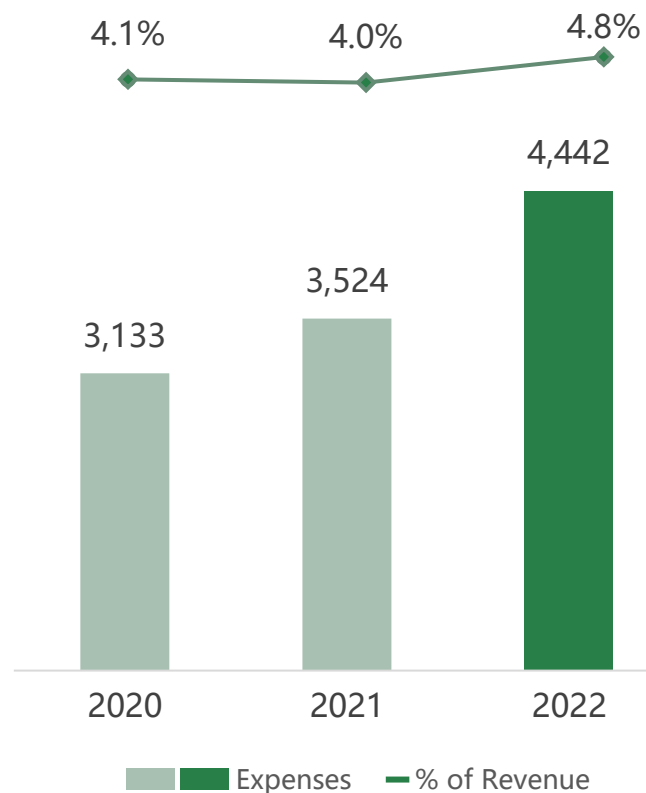
Selling & Distribution Expenses

RMB million



Admin Expenses

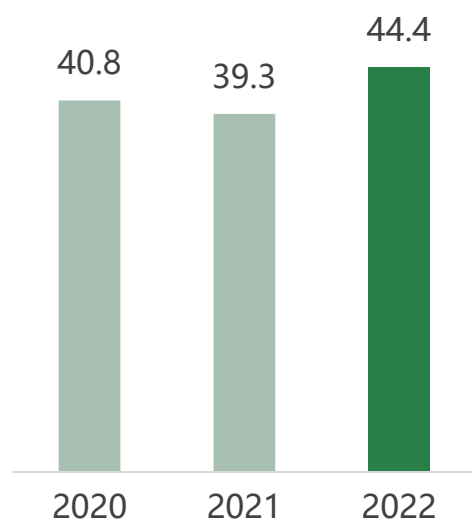
RMB million



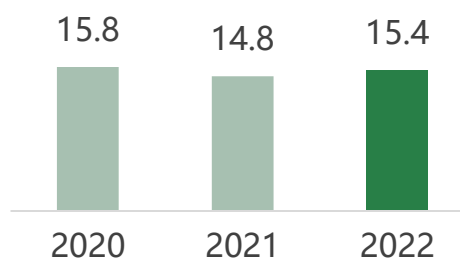
Operational Efficiency Indicators



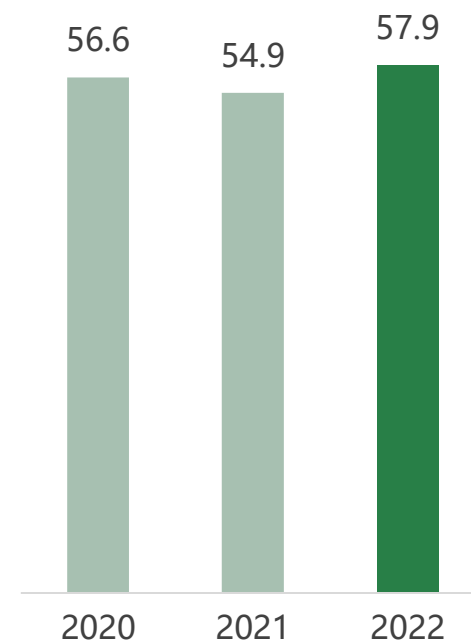
Inventory Turnover (Days)



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



2022 Business Review



Anchoring the Five-Year Strategy: Confronting External Challenges to Pursue High-Quality Growth



Addressing Challenges

- Channel motivation to place orders and build up inventory was low, with reduced consumer traffic at stores
- Global rise in inflation and raw material costs



Steady Profitability Improvement

- Focused on cost reduction and efficiency enhancement, leading to steady improvement in operating profit margin
- Operating margin increased significantly by 160bp in 2H2022
- Core businesses showed resilient growth and liquid milk products continued to gain market share



Innovation-driven

- Strong growth in fresh milk and ice cream, with improving profitability
- Accelerated expansion and promoted synergies in new product categories such as cheese and adult milk powder



Brand Upgrade

- Seized the marketing opportunities in a year filled with major global sporting events to comprehensively enhance brand power
- Strengthened consumer engagement with comprehensive digital marketing strategies



Channel Development

- Achieved strong growth in online channels, including new retail channels
- Optimized omni-channel structure and refined operation management to enhance selling expense efficiency
- Accelerated digital transformation



Global Dairy
Ranking
Rose to 7th,
Up 2 places

BrandZ™
Brand Value

15%

1st in FMCG industry
by brand value growth

Steady Growth for Room Temperature Business



UHT milk maintained high growth, demonstrating demand resilience

- Product mix of the pure milk category saw continuous improvement, with premium series of Milk Deluxe and Mengniu pure milk achieving faster growth than the overall category.
- Milk Deluxe increased its competitive advantages and widened its lead; won No. 1 market share in the organic category with commitment to producing the highest-quality organic products.
- Commitment to innovation led to breakthroughs in new products such as Just Yoghurt, Yummy Yoghurt and Fruit flower flavored yogurt drink, which performed well in the market.
- Executed RTM strategy, reinforcing market coverage and channel power to explore opportunities in lower-tier markets.
- Rapidly expanded new retail business and recorded break-through growth in the number of online members.



Fresh Milk & Ice Cream Businesses Maintaining Strong Growth Momentum



Fresh milk maintained strong growth and leading position

- Net revenue growth significantly outperformed overall segment, with two consecutive years of profitability.
- Shiny Meadow ranked first in both online and offline sales, maintaining its position as the leader in high-end fresh milk.
- The “Xiaoxianyu” sub-brand for young consumers has achieved exceptional growth in sales and market share since its introduction, achieving continuous market penetration across different groups of consumers.
- Explored “Fresh Milk+” opportunities by collaborating with Ovaltine to launch a cocoa malted milk beverage and developed new business models through specialty channels such as tea houses and cafes.
- The fresh milk business ranked first in sales in the systems of Sam’s Club, Hema, Yonghui Superstores and Aeon, with rapid sales growth on Tmall, JD.com and Meituan.



Ice cream business achieved record-high revenue

- Collaborated with Moutai Group, Universal Studios Beijing and the Shanghai Disney Resort to launch various popular crossover products.
- Provided World Cup-themed ice cream products during the 2022 FIFA World Cup in Qatar.
- The ice cream business division achieved fast growth in modern channels and new retail business
- Continuous innovation is a top priority to produce the best products; Continue to enhance market coverage and improve channel efficiency.



Continuous Innovative Breakthroughs in Chilled Products & Cheese



Chilled product business focused on category value to achieve high-quality growth

- External factors impacted supermarket consumer traffic and sales, resulting in an overall decline in the industry.
- The chilled product business maintained steady investment to improve profitability, ranking first in market share for 18 consecutive years.
- The Group enhanced its product value with good brands and good products:
 - ✓ Yoyi C positioned itself as “probiotics tailor-made for Chinese people” and launched a zero sucrose product series.
 - ✓ Champion’ s Every day’ s Fresh Yogurt and the Zero Sucrose Yogurt series achieved strong sales growth with increasing market share.
 - ✓ The Group launched the Champion Jianzihao immune booster series.
- The chilled product business continued to optimize its omni-channel structure with high growth in home delivery.



Cheese business implemented a new brand positioning strategy to explore new application scenarios



奶酪就选 妙可蓝多

- Mengniu Cheese launched a new brand positioning strategy - “Excellent Cheese made with Excellent Milk” .
- The sales of domestic table cheese and butter grew steadily, and the Group expanded into professional catering industries such as baking, tea beverages and Western cuisine.
- The Group seized the “New National Standard” opportunity for processed cheese, proactively developing high-content organic cheese sticks and DHA cheese sticks
- Mengniu + Milkground: Absolute leading position in China’ s cheese market

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



Yashili focused on innovative R&D, promoting product upgrade

- The declining birth rate has put pressure on the infant milk formula industry in recent years.
- Reeborne Enzhi and Reeborne Jingzhi series were among the first batch of products to pass the New National Standards.
- Yashili became the first milk formula company in China to have its products assessed and certified under EU food standards (SGS).
- Yashili continued to meet the needs of various market segments by offering products such as Yourui, 1.88M Children's Growth Formula Milk Powder and M8 children's milk formula.
- Yashili actively expanded sales channels and collaborated with renowned domestic mother-and-baby chain stores and regional chain stores.



Bellamy's strengthened organic advantages, expanding its portfolio of premium organic products



- Bellamy's steadily implemented strategic initiatives with optimized management for long term development.
- Bellamy's launched three milk powder products, including the new GOLD+ high-end infant formula, and accelerated the development of organic complementary foods.
- The cross-border business will be strengthened as cross-border trade returns to normal, with a focus on high-end product lines, consolidating the business fundamentals.
- Bellamy's will accelerate the expansion of its domestic infant formula business in lower-tier markets and develop offline flagship stores to improve penetration rate.
- Bellamy's will further expand product lines of the complementary food business through localized innovation.

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



Mengniu Shines in the World Sports Arena



NO.1

Share Of
Voice

NO.1

Online Brand
Popularity

NO.1

Engagement on
Social Media

NO.1

Brand Digital
Assets

KANTAR MARKETPLACE

卡塔尔世界杯品牌营销10强

Ten Brands With The Best Marketing Campaigns

排名	品牌	营销效果指数
1.	蒙牛	124
2.	可口可乐	118
3.	阿迪达斯	117
4.	美团	112
5.	百威啤酒	105
6.	耐克	103

2025 ESG Strategy – A More Responsible Mengniu



GREEN

- ▶ Vision: Defending the common health of people and the Earth
- ▶ Mission: More nutritious products, better lives and a more sustainable Earth

Governance – Sustainability

Responsibility – Common Prosperity

Environment – Carbon Net-zero

Ecosystem – Collaborative & Accountable

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

A More Responsible Mengniu - Establishing Dual-Carbon Goals



Phase I

Control the carbon emission intensity per tonne of dairy product within 165kgCO₂/t in 2025

Phase II

Achieve the peak absolute value of Scope 1 and 2 carbon emissions, and control the carbon emission intensity per tonne of dairy product within 160kgCO₂/t in 2030

Phase III

Continue to promote 15 key initiatives, with the proportion of renewable energy increasing and the carbon footprint of products decreasing year by year, to achieve Scope 1, 2 and 3 carbon neutrality in 2050

2020

2025

2030

2050

Key Routes

Production

- Improving capacity utilization
- Improving production-purposed energy efficiency
- Recycling surplus energy
- Optimizing energy structure

Packaging

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

Products

- Developing low-carbon products



Raw Milk

- Adjusting feed composition and structure
- Managing and optimizing cow herd structure
- Optimizing 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 Towards Our ESG Strategies



Responsible Supply Chain

- The first dairy company in China to join the responsible business platform Sedex
- Optimized traceability for raw materials such as palm oil/paper package/soybean meal
- Encouraged carbon emissions reduction measures among raw milk suppliers, leading to carbon emissions reductions by around 180,000 tons



Production

- The factory in Qujing, Yunnan became the first dairy factory in China to receive international and domestic certifications for zero-carbon factories
- 3 factories obtained the German TÜV Rheinland landfill-free waste management system certification



Products and Packaging

- Packaging of several products passed the CGF Golden Design Rules Certification
- Launched the first label-free Yoyi C product series
- Yashili's Reeborne Jingzhi series obtained the carbon neutral certification



ESG Management

- Included ESG performance in management KPIs



Hang Seng Corporate Sustainability Index

ESG Vanguard 50 Index

TOP1





2023 Strategies & Outlook



Creating A New Mengniu: Focus on high-quality growth and continuous margin improvement



Industry Trends



The economic environment, offline sales and consumer confidence are expected to gradually recover.



The dairy industry's long-term prospects are bolstered by increasing consumer awareness of nutrition and health, as well as a growing demand for diverse products.



Consumer shopping habits and channels continue to evolve.



Raw milk costs are stabilizing, but uncertainties remain due to global inflation and macroeconomic conditions.

Our Strategies



- Accelerating new product launches
- Seizing channel recovery opportunities and strengthening online and offline integrated execution



- Exploring consumption upgrade opportunities in ice cream, cheese and adult milk powder
- Fostering innovation to build influential brands and products

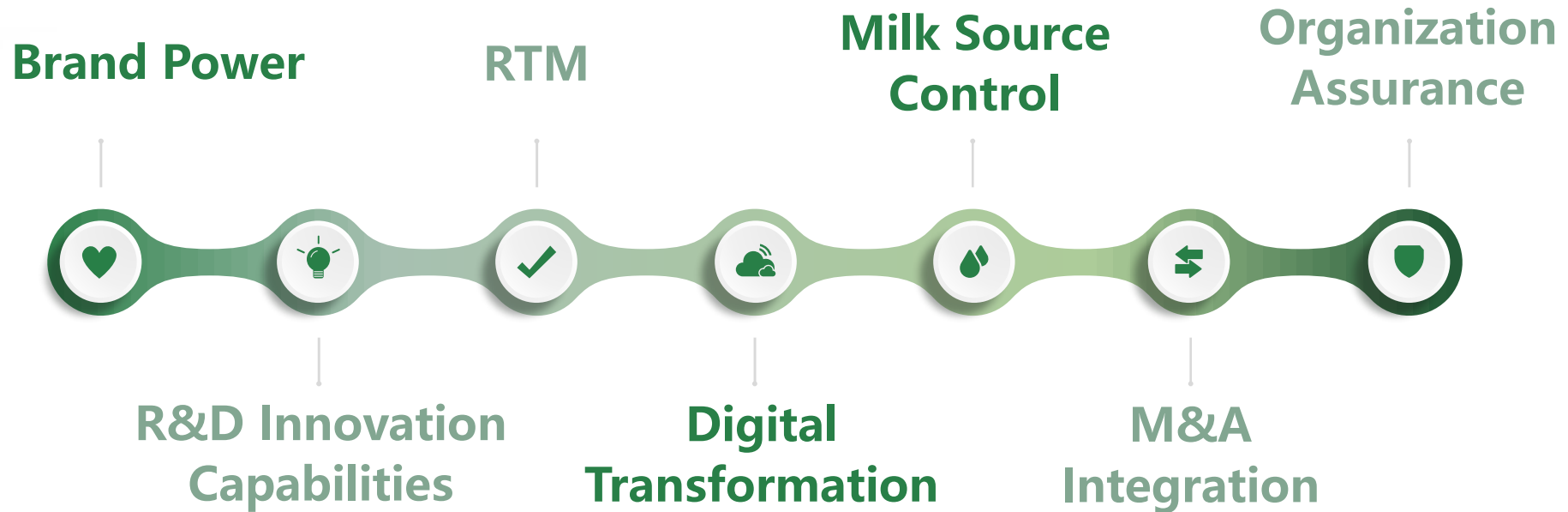


- Deepening omni-channel presence and accelerating the development of new channels
- Enhancing channel control and efficiency



- Proactive cost control
- Continuing to improve category mix and product portfolio

Creating A New Mengniu: Continuing to Build Up Core Competence



Creating A New Mengniu: Our Vision



First-Choice



International



Responsibility



Spirit



Technology



Q&A

