



CHINA MENGNIU DAIRY COMPANY LIMITED
(2319.HK)

Corporate Presentation

June 2023



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Company Overview

Mengniu Today



A leader in the China dairy industry, focuses on providing nutritious, healthy and delicious products to Chinese and global consumers.

Founded in **1999**

Global Dairy **No. 7**

68 global factories

~**13mn** tons annual production capacity

2022 Revenue: **RMB 92.6bn**



Awards & Recognitions



Ranked No.7 in the
"Global Dairy Top
10" list published by
Rabobank



Ranked among **Brand
Finance Global 500**



A constituent of **Hang
Seng Index**, the **1st
blue-chip** Chinese dairy
product manufacturer



Ranked 26th among
"Top 100 Most Valuable
Chinese Brands"
selected by BrandZ

A constituent of **HSI ESG
Enhanced Index** and **HSI
ESG Enhanced Select
Index**

Products diversity



Provides diversified products, including liquid milk, ice cream, milk formula and cheese, etc.

2022 Sales Breakdown



Investment Highlights

Investment Highlights



Leader in a growing industry



High quality milk sources & products



Premium brands



Comprehensive sales channels



Management with strategic vision



Excellent financial performance & shareholder returns

Leader in a Growing Industry



01

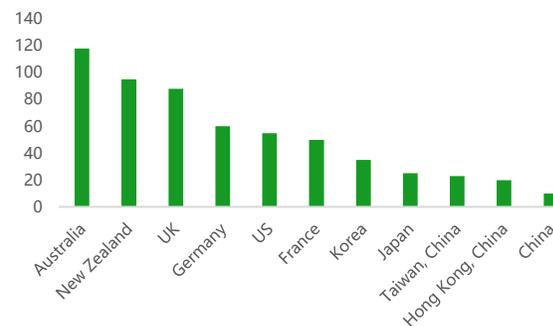
Increasing consumers health awareness driving demand for dairy products

02

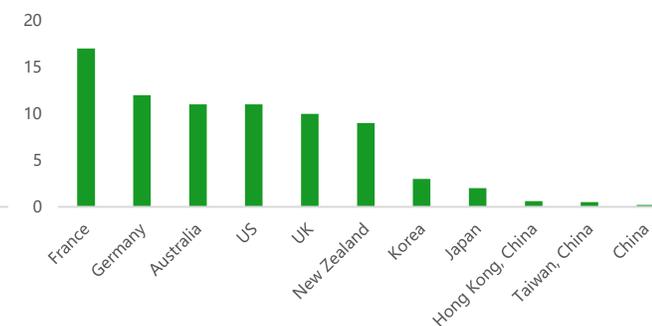
Large room for growth for penetration

- **Liquid milk:** liquid milk consumption per capita in China is 1/2 of the average in Japan & Korea, and 1/3 of world average in 2021
- **Cheese:** Per capita cheese consumption in China is approximately 0.2kg in 2021, approximately 1/10 of the average in Japan & Korea

2021 Liquid Milk Consumption per capita (kg)



2021 Cheese Consumption per capita (kg)



Leading market share

in multiple categories including room temperature liquid milk, fresh milk, chilled products & retail cheese

Strong Product Portfolio to Capture Opportunities



Room Temperature Milk, Yogurt & Beverage



Liquid Milk

Ice Cream

Infant Formula

Cheese



Low Temperature Milk, Yogurt & Lactobacillus Drinks

Forward-looking Development of High Quality Milk Sources



- The first mover in the dairy industry to develop high quality milk sources through strategic investment
- Major shareholder of **Modern Dairy**, a leading dairy farming operator and fresh raw milk producer in China, and **China Shengmu**, the largest organic raw milk producer in China
- **40%** of raw milk from farms with equity interests, securing premium raw milk



- **33** dairy farms
- **136,000** heads of dairy cows
- **1,777 tons of fresh raw milk and 1,295 tons of organic fresh raw milk** produced daily
- **3** DHA farms with daily production of **128** tonnes of high-quality fresh milk

- **41** dairy farming companies in the PRC
- **>400,000** heads of dairy cows
- **>2.36 million tons** annualised milk yield



Leading Position across Categories Driven by Innovation & Premiumization

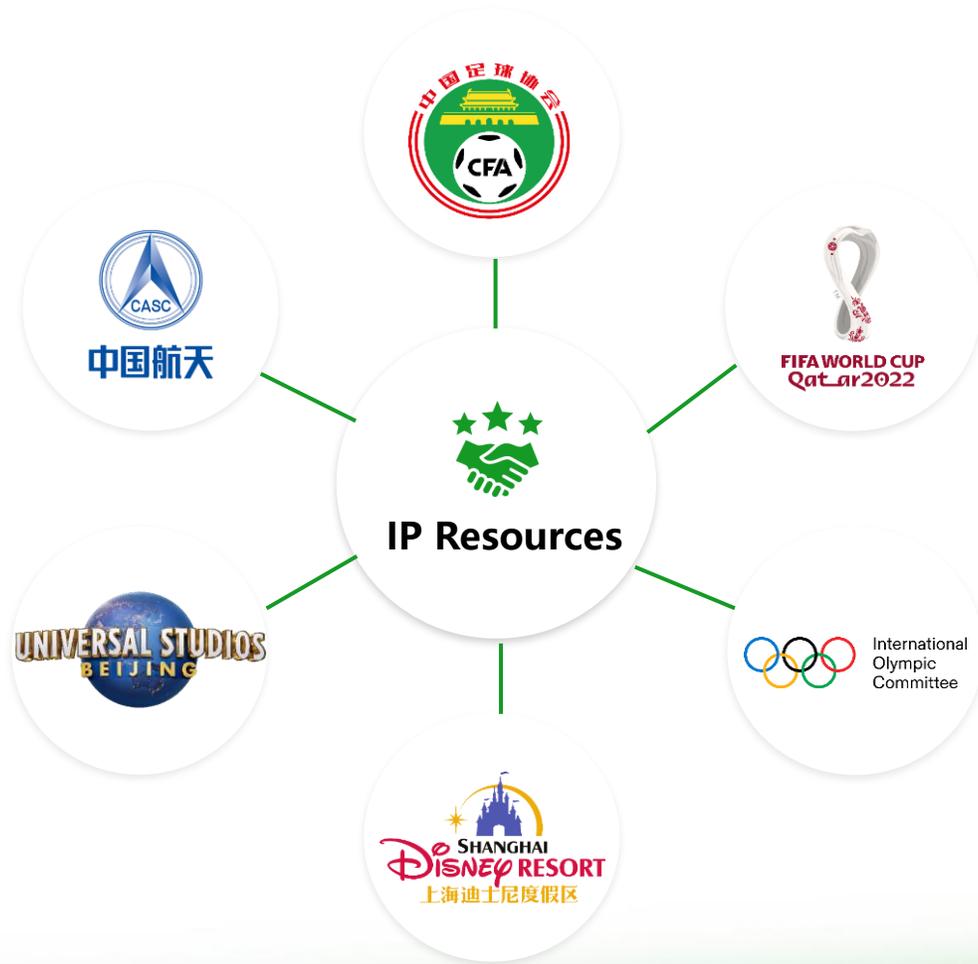


- Mengniu continues to innovate around product differentiation and premiumisation through launching a variety of new products in various categories such as liquid milk, ice cream, milk formula and cheese, continuously improving product mix and remain at the forefront of consumer trends.
- The rapid development of categories such as high-end white milk, fresh milk, cheese, ice cream, adult milk formula drives **improvement to category mix and ASP, as well as profit margin.**

Powerful Branding through Strategic Partnership with Top-tier IPs & Consumer Engagement



Strategic Partnership with Top-tier IPs



Strong Consumer Engagement

World Cup Mini Program

Milk Deluxe Membership Club

Online Tree-planting

Nationwide Sales Channels Development & Optimization



Rapid Omni-channel Development to Tap Market Potential

- Nationwide sales channels, continuous channel expansion and market penetration
- Commenced the "Penetration into Towns and Villages" initiative since 2018H2

>100K administrative villages

250K active stores



Leading in liquid milk sales on e-commerce platforms and emerging sales channels

- **No. 1** in the liquid milk e-commerce market
- Expanding emerging/new retail O2O platform



>55mn online members



Improve channel and sales terminal control and increase sales expense efficiency

- Optimize RTM development
- Accelerate digital transformation

Selling & Distribution Expenses Ratio

2020
28.3%

2021
26.6%

2022
24.1%

Market-oriented Performance Culture



Mengniu veterans

Market-oriented management team served Mengniu for **6-20 years** with **diverse background, rich industry experience, forward-looking strategic thinking, and strong execution capabilities.**

Company culture

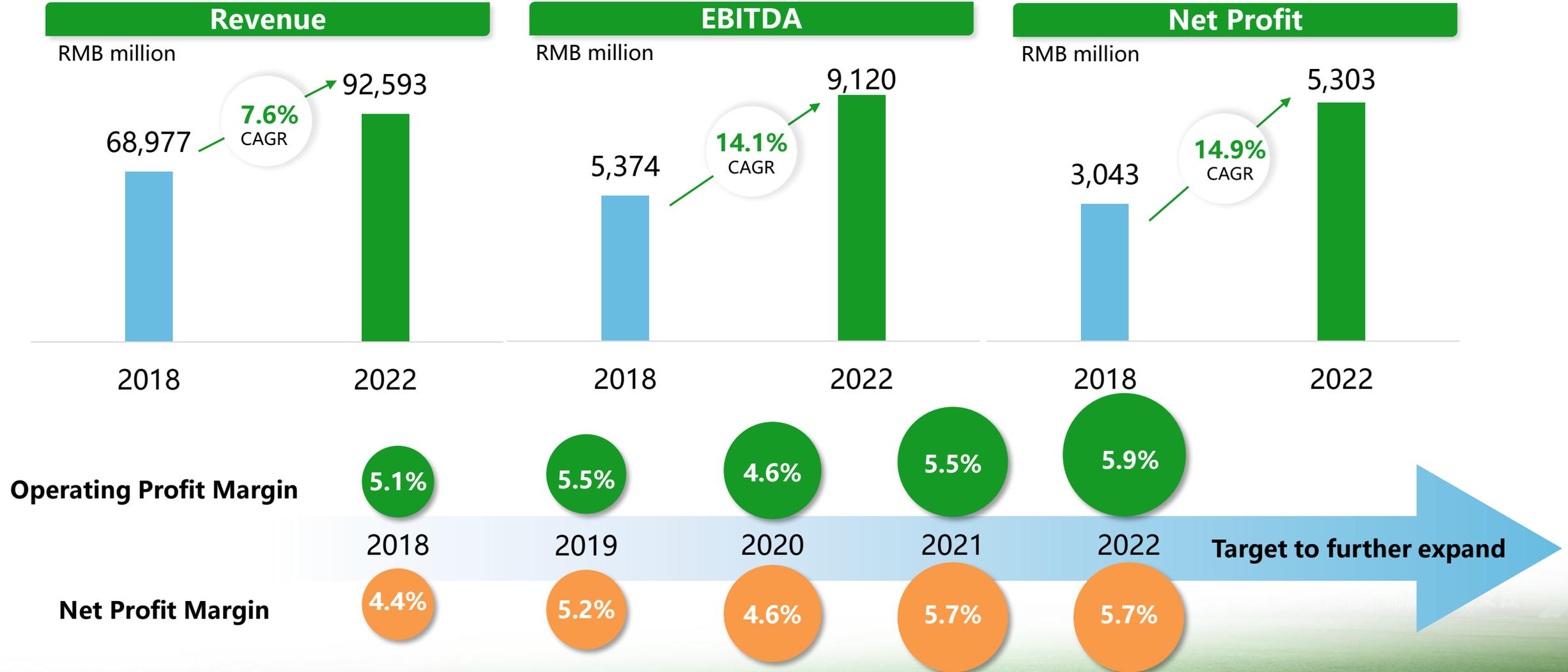
Empower & inspire talents to succeed

Creative solution wins the future

Organization structure

Business unit-based structure to improve flexibility and dynamics
Clear incentives to meet strategic goals of the company

Sustainable Growth with Improving Profit Margin

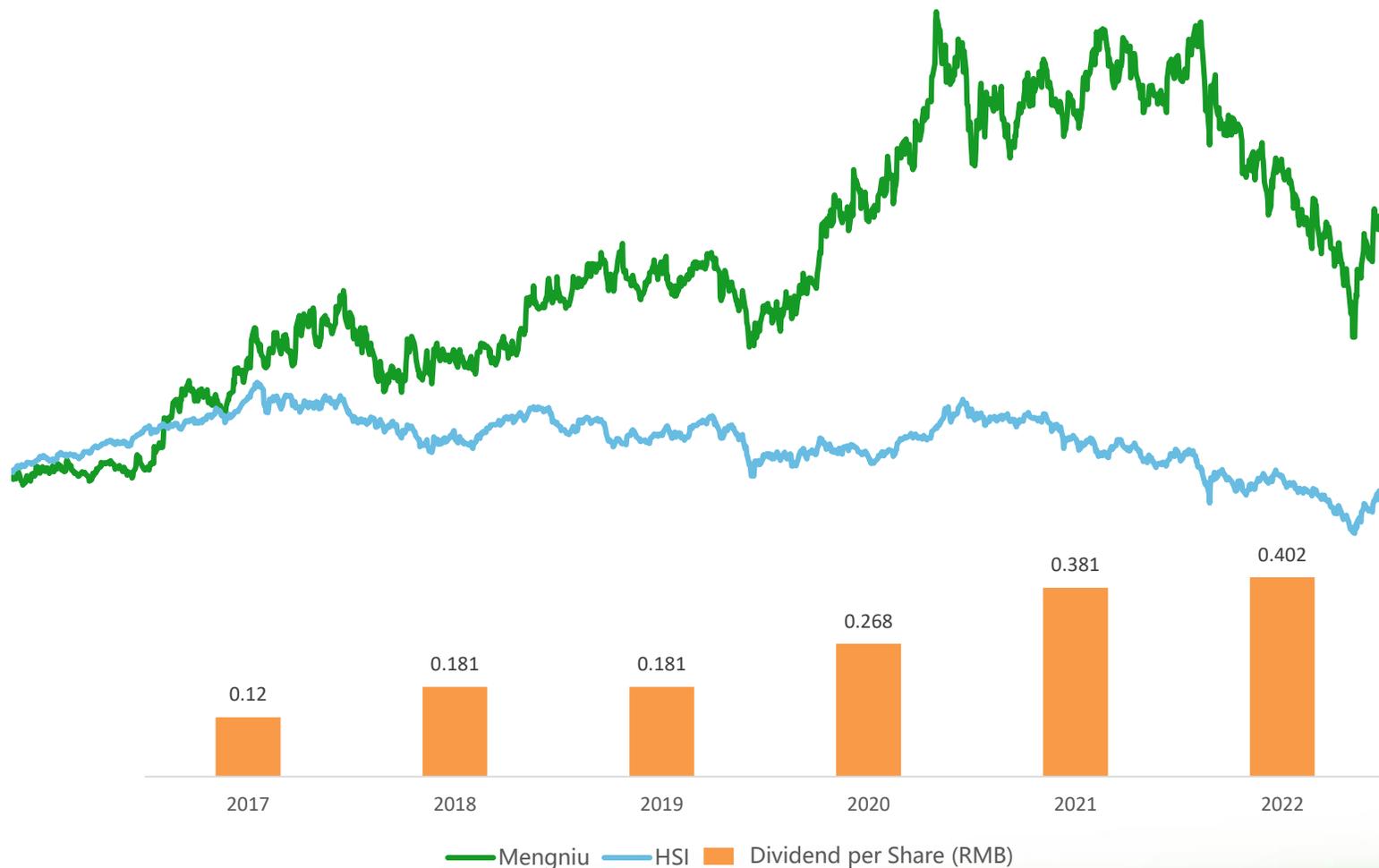


Operating Profit Margin = Revenue-COGS-SG&A-Education surcharges, city construction tax and other taxes

Outstanding Shareholder Return



Mengniu Share Price vs. HSI (1/1/2017-30/12/2022)

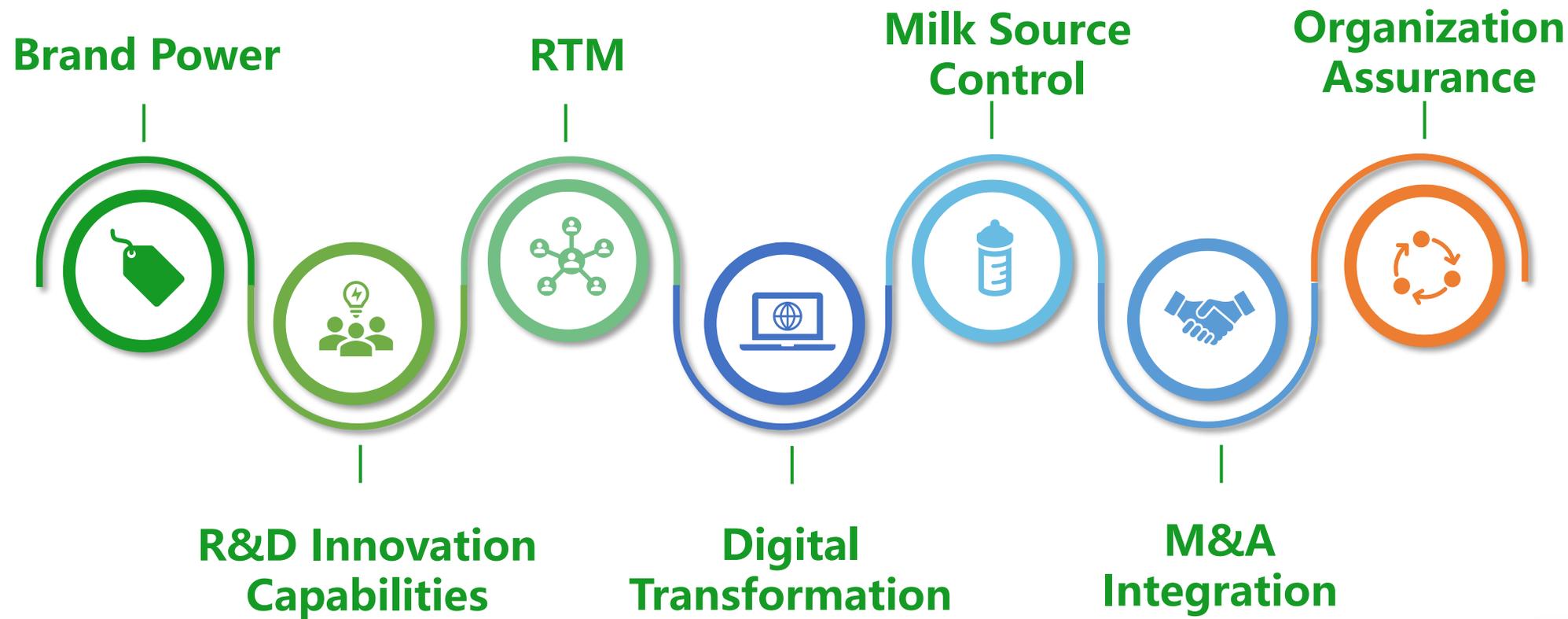


Total Shareholder Return
(1/1/2017-30/12/2022):

> 200%

Mengniu's Vision

Continuing to Build Up Core Competence



Creating A New Mengniu in Five Years



ESG Strategy & Progress

2025 ESG Strategy – A More Responsible Mengniu



GREEN

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



Governance – Sustainability

Responsibility – Common Prosperity

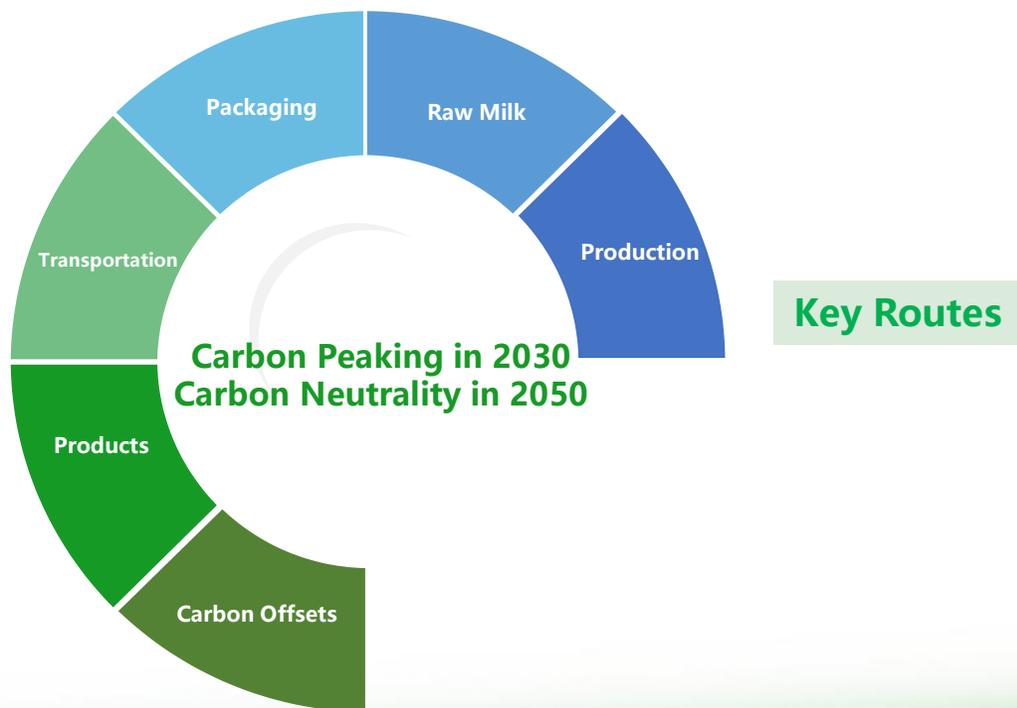
Environment – Carbon Net-Zero

Ecosystem – Collaborative & Accountable

Nutrition – Supreme & Inclusive



A More Responsible Mengniu – Establishes Dual-Carbon Goals



■ 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



Received **MSCI ESG rating of A**, the highest in the food industry in China



Won the **State Scientific and Technological Progress Award** by the State Council



Won The **11th "China Charity Award"**, the highest honor in the field of public welfare and charity in China



Joined the **Pathways to Dairy Net Zero** climate initiative jointly promoted by Food and Agriculture Organisation of the United Nations (FAO), International Dairy Federation (IDF), Global Dairy Platform (GDP), etc.



Included in Core ESG Indexes

Key Takeaways

Key Takeaways



Industry prospects

- Leader in a growing industry



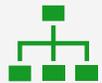
High quality milk sources & products

- Strong product portfolio to capture opportunities
- Forward-looking development of high quality milk sources



Premium brands

- Powerful branding through strategic partnership with top-tier IPs & consumer engagement



Comprehensive sales channels

- Nationwide sales channels development & optimization



Management & culture

- Market-oriented performance culture



Outstanding financial performance & shareholder return

- Sustainable growth with improving profit margin
- Outstanding shareholder return



Thanks

