



華潤啤酒(控股)有限公司  
China Resources Beer (Holdings) Company Limited



# H1 2017

## Financial and Operational Review



Investor Presentation  
21 August 2017





# Part I

## Performance Review



H1 2017	H1 2016	change
RMB m	RMB m	
15,774	15,213	+4%
1,687	1,657	+2%
1,178	1,220	-3%
1,170	605	+93%
0.36	0.23	+57%
0.07	-	N/A
19%	-	N/A
6.5%	5.8%	+12%
685	651	+5%
18,633	20,514	-9%
476	7	+6700%
2.6%	-	N/A

\* Acquisition of 49% stake in China Resources Snow Breweries Limited (the “Acquisition”) has been completed on 11 October 2016 and the beer subsidiary became a wholly-owned subsidiary.

\*\* EPS for 2017 reflected the benefit of the Acquisition on 11 October 2016 and the effect of rights issue in 2016.

\*\*\* ROE = PAS / Average of Equity attributable to shareholders of the Company

雪花

## “Various experiences across SNOW”



## Beer (No.1 brand by volume in the world since 2008)



- Growth through: Solidifying market leader position and upgrade of product mix

	H1 2017 RMB m	H1 2016 RMB m	change
Sales volume (million kl)	6.306	6.128	+3%
ASP (in RMB/kl)	2,501	2,483	+1%
Turnover	15,774	15,213	+4%
Gross profit	5,282	5,120	+3%
EBIT	1,687	1,657	+2%
<i>GP margin</i>	<b>33.5%</b>	<b>33.7%</b>	-0.2% point
<i>EBIT margin</i>	<b>10.7%</b>	<b>10.9%</b>	-0.2% point

Increase in turnover helped to absorb the surge of certain cost, in particular to packaging material costs, such that gross profit margin maintained at similar level.



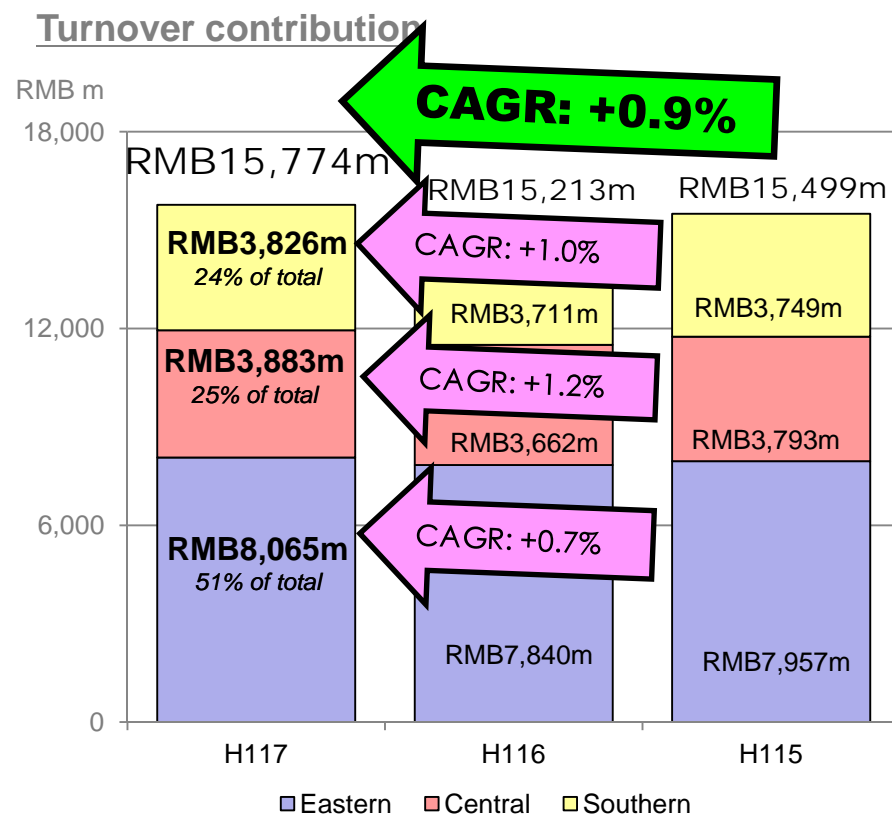
"Various experiences across **SNOW**"



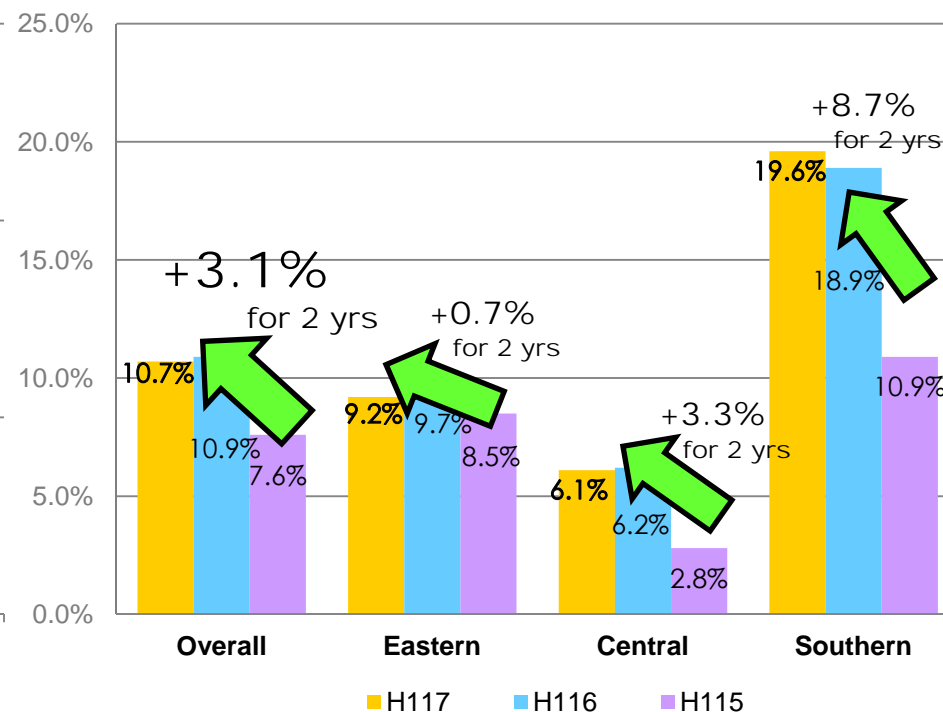
# Beer (No.1 brand by volume in the world since 2008)



## Segment results



## EBIT margin



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# Beer (No.1 brand by volume in the world since 2008)

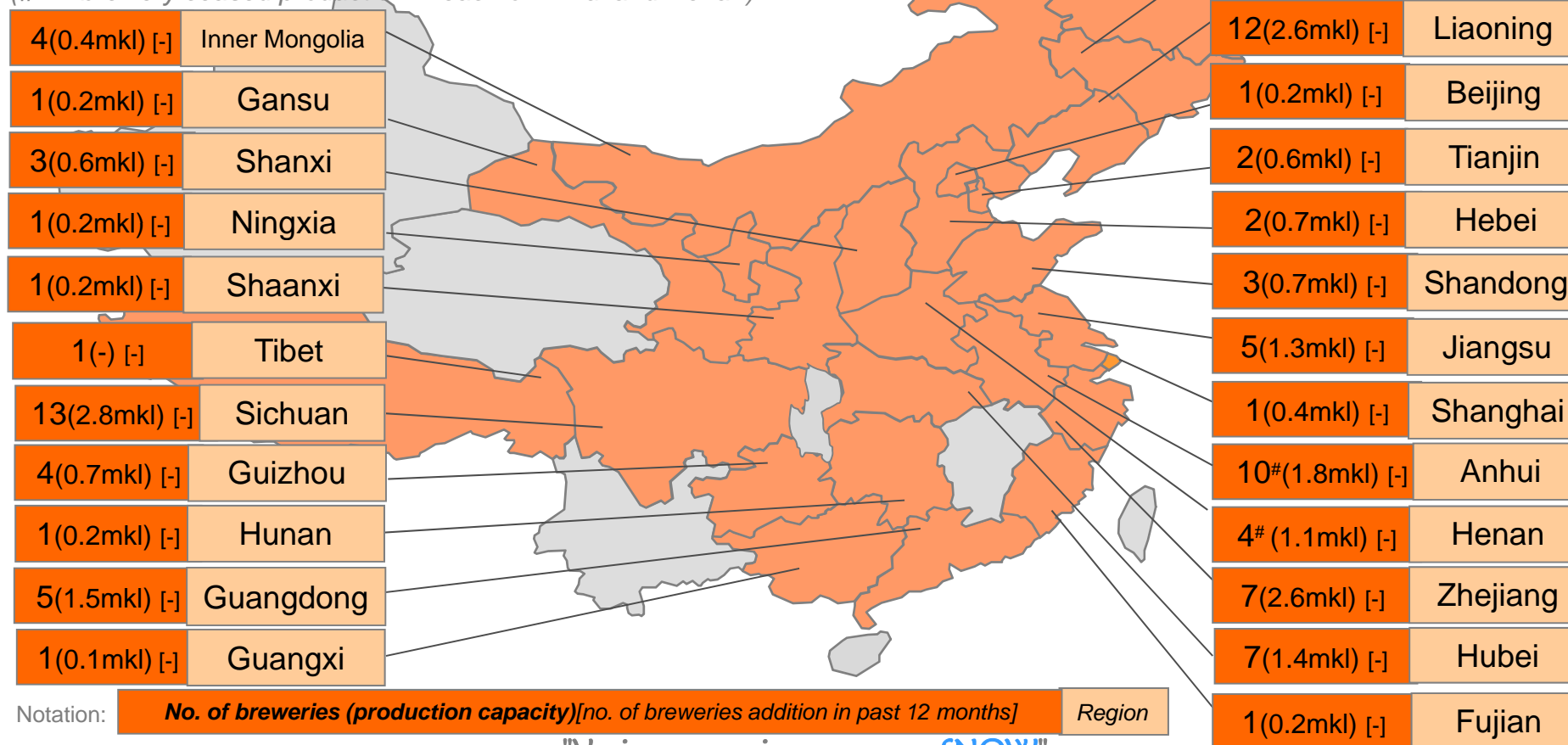


## ■ Nationwide geographical footprints

Having presence in 25 out of 34 regions/cities (incl., autonomous regions, municipalities and SAR) in China

**Number of brewery plants: 98**

(# - 1 brewery ceased production in each of Anhui and Henan)



Notation:

**No. of breweries (production capacity)**[no. of breweries addition in past 12 months]

Region

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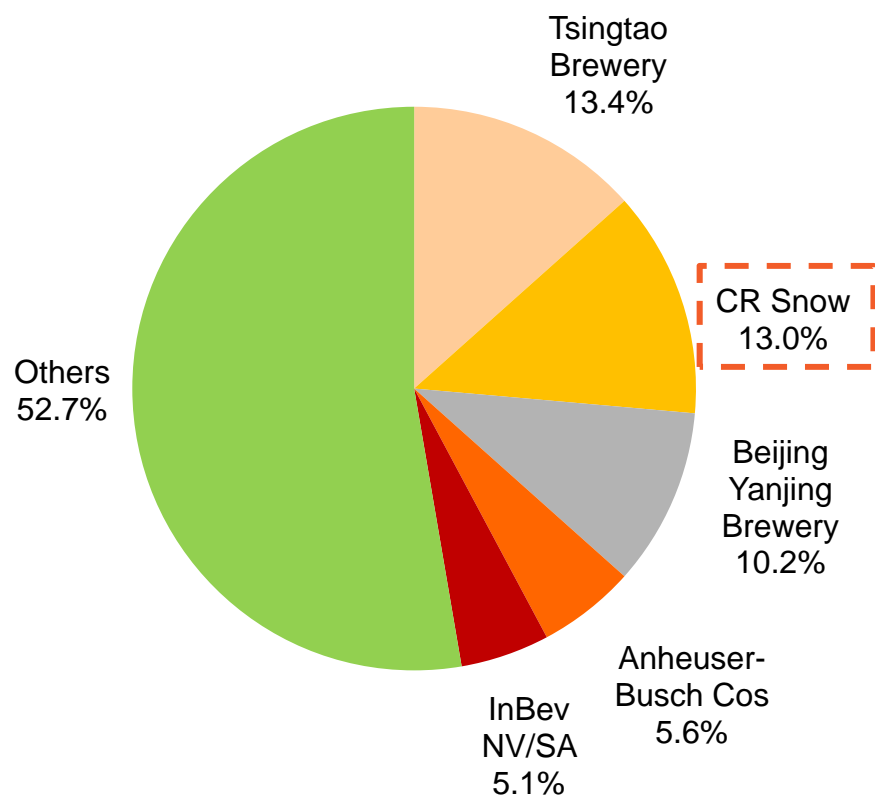
# Beer (No.1 brand by volume in the world since 2008)



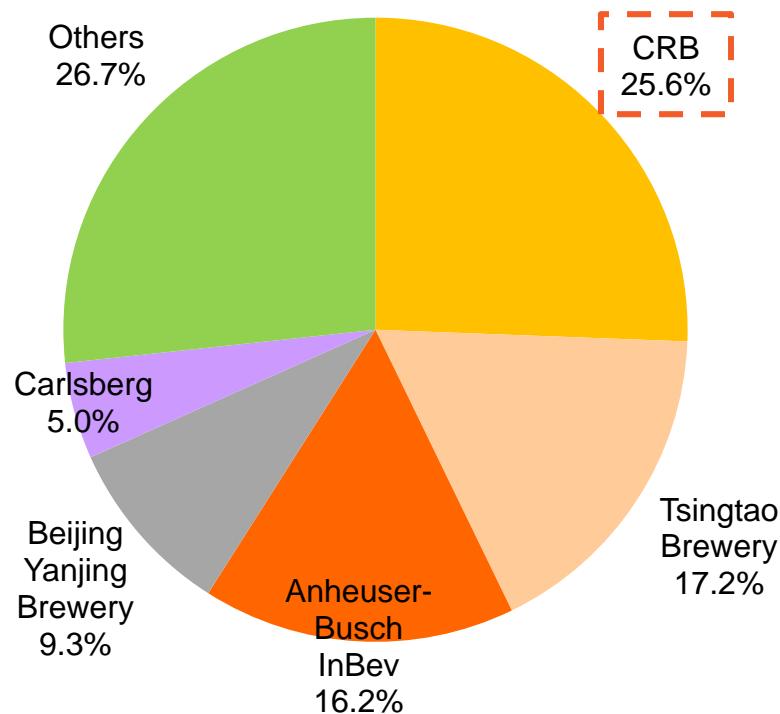
## Market share distribution

### China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2016 Top five market share = 73.3%



Source: Euromonitor International, www.ifooday.cn and Company information

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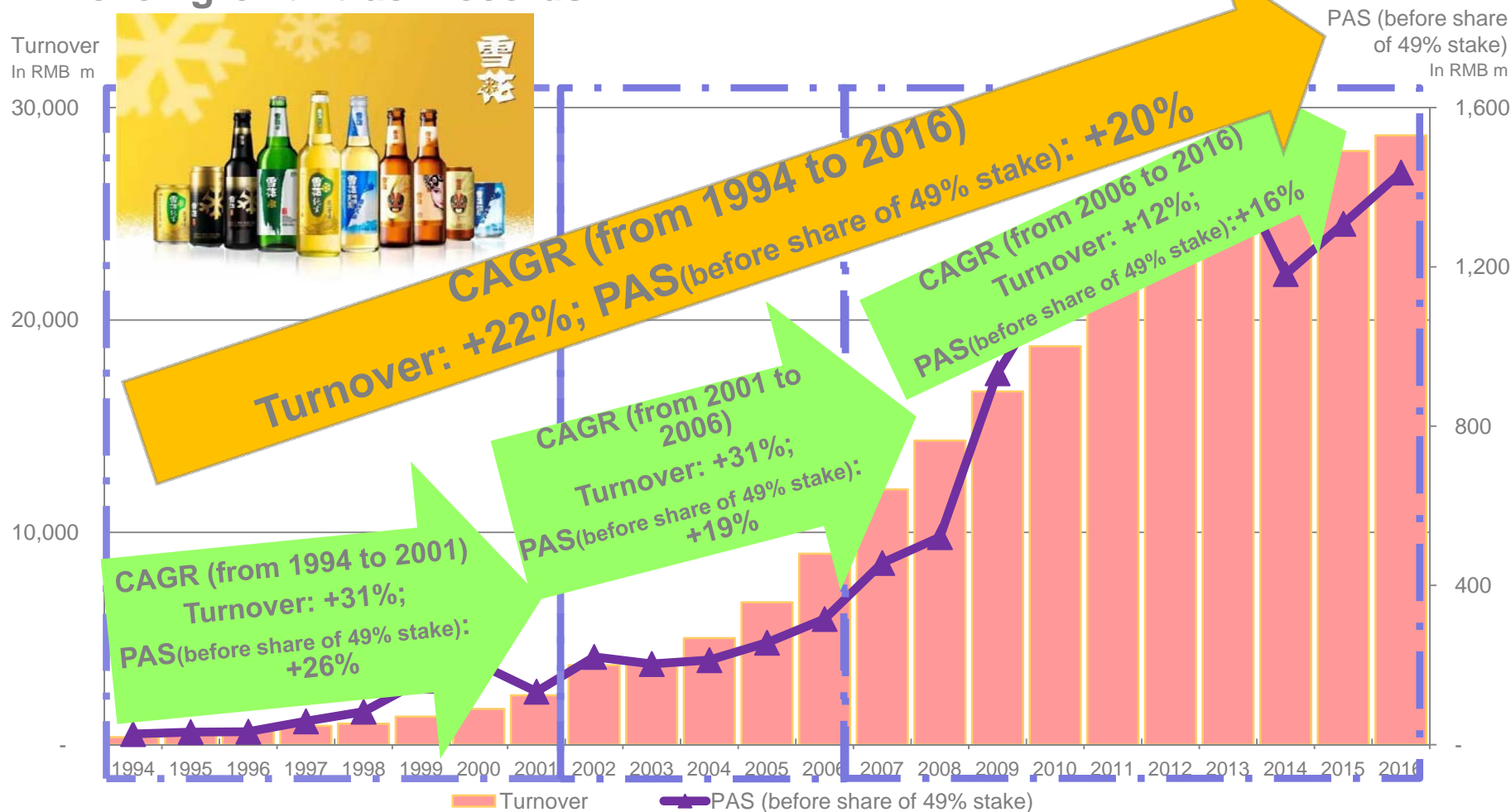




# Beer (No.1 brand by volume in the world since 2008)



## Proven growth track records



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## Part II

### Others

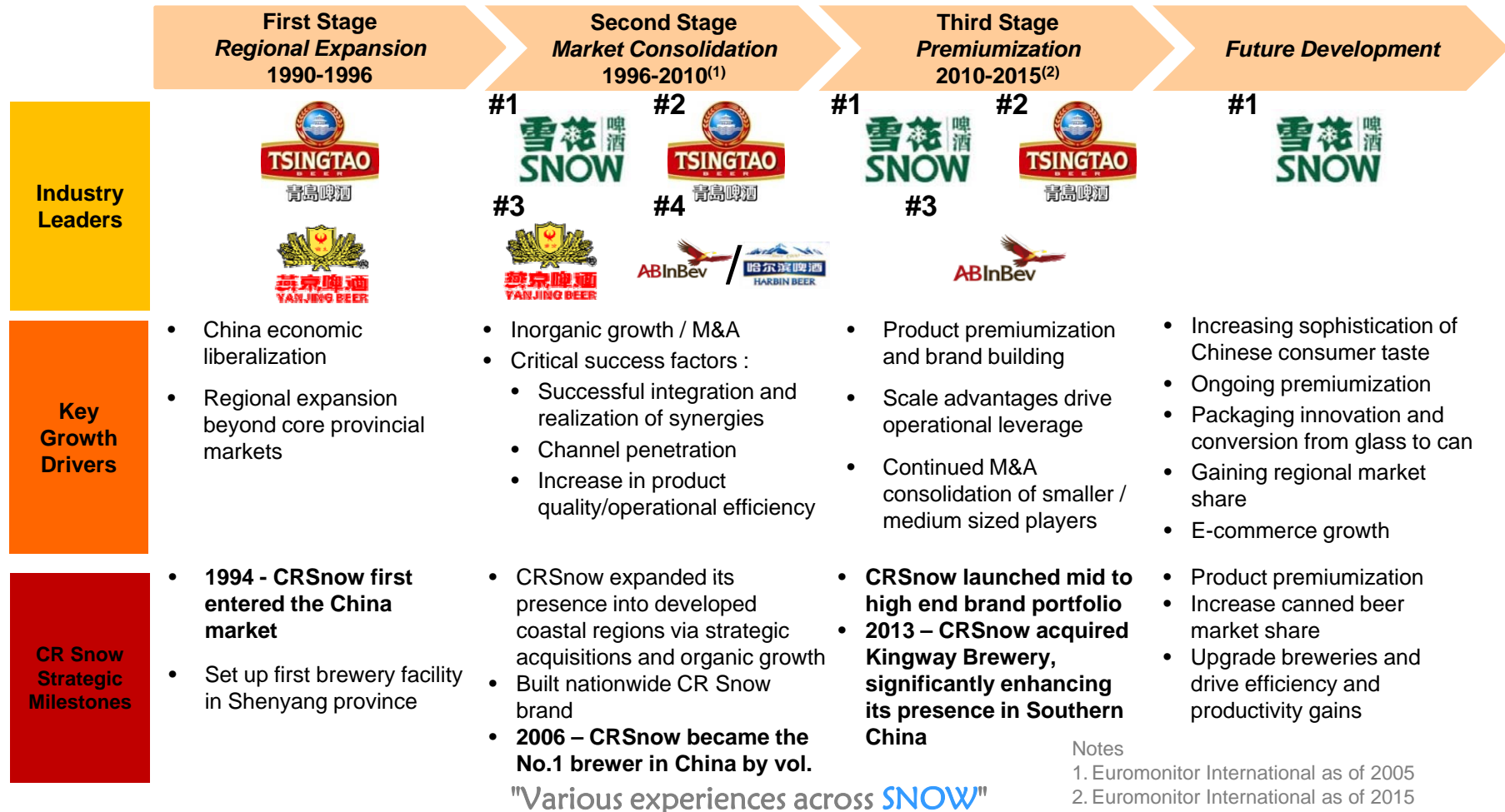




# Beer (No.1 brand by volume in the world since 2008) 雪花

## Evolution of the China Beer Market Over the Past 3 Decades

*CR Snow has been at the forefront of evolution, effectively positioning itself to capture outsized growth*



Notes

1. Euromonitor International as of 2005

2. Euromonitor International as of 2015

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# Beer (*No.1 brand by volume in the world since 2008*)



## ▪ CRB: Pure beer business

### **The Undisputed Leader in World's Most Attractive Beer Market**

- 1
  - China is the largest<sup>1</sup> and most attractive beer market globally
  - CRE is the #1 brewer in China for the past 11 years with 25.6% market share<sup>1</sup> vs. 17.2% for the next player in 2016

### **Irreplaceable Heritage Brands That Resonate Nationwide with the Local Consumer**

- 2
  - Snow (“雪花”) is the world's largest selling beer brand by volume since 2008
  - Portfolio of 30+ sub-brands and products catering across the entire consumer spectrum
  - Nationwide presence operating 98 breweries in 25 out 34 provinces in China

### **Proven Track Record of Double-Digit Growth Through Premiumization and Innovation**

- 3
  - Successful track record of growth through increasing volumes and ASPs
  - Sales and PAS (before share of 49% stake) CAGR of 22% and 20%, respectively since inception in 1994
  - Increasing focus on premiumization of mid-end to high-end products

### **The Leading Platform for Industry Consolidation**

- 4
  - Leading market consolidator with successful acquisition and integration of domestic breweries in the past
  - Track record of M&A with 20+ acquisitions over previous years

### **Consistent and Proven Management Leadership**

- 5
  - Experienced management team members who works in CR Snow for many years
  - Sponsorship from one of the leading SOEs in China

### **Full ownership with faster response**

- 6
  - Shareholders will enjoy full economic benefit of future earnings growth
  - Will enable faster responses to the dynamics of current beer market

Note

1. By volume according to [www.ifooday.cn](http://www.ifooday.cn)

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# Beer (No.1 brand by volume in the world since 2008) 雪花

- Differentiated sales channel strategy with unique on-the-ground capabilities  
*Distribution strategy focused on professionalism, exclusivity and flatness of network*

## Urban markets

High end on-trade channel	<ul style="list-style-type: none"> <li>□ <b>Specific sales force</b> to target on-trade customers such as high-end restaurants and night clubs to promote sales of mid to high-end products</li> <li>□ Build and maintain a strong channel and customer relationship</li> </ul>
Other on-trade channel and traditional retail channel	<ul style="list-style-type: none"> <li>□ Established a <b>flat distributor network</b> by dividing targeted markets into smaller areas which eliminates layers of distributors</li> <li>□ Allows for <b>higher profitability</b>, closer proximity to end customers and <b>better management</b> of distributors and retailers</li> </ul>
Modern retail channel	<ul style="list-style-type: none"> <li>□ <b>Sales team at headquarters</b> covers and negotiates with nationwide retailers directly</li> <li>□ <b>Regional sales teams</b> coordinate negotiations with regional retailers and provide comprehensive sales support and monitor performance</li> </ul>
E-commerce channel	<ul style="list-style-type: none"> <li>□ Sales on <b>e-commerce platforms</b> such as T-mall</li> <li>□ Flagship stores on platforms such as Yihaodian, JD.com</li> <li>□ Establishing own e-commerce platform to directly interact with end customers and consumers</li> </ul>

## Regional markets<sup>1</sup>

<ul style="list-style-type: none"> <li>□ Maintain <b>long standing relationships</b> with local distributors to broaden coverage and penetration</li> </ul>
<ul style="list-style-type: none"> <li>□ <b>Flat distribution model</b> through careful and finer division of regional markets</li> </ul>
<ul style="list-style-type: none"> <li>□ Utilize <b>secondary distributors</b> to supply to rural areas</li> </ul>

Regional markets in smaller towns and rural areas

Source: Company Filings, Company Information

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## Beer (No.1 brand by volume in the world since 2008)



### ▪ Future growth strategy

1

#### **Expand “Snow” with ongoing premiumization**

- Focus on premiumization to drive sales and profitability growth
- Grow higher-priced and higher margin brands and products

2

#### **Strengthen our regional presence through organic growth and acquisitions**

- Continue to grow market share on a regional basis both organically and through acquisitions
  - Focus on expanding and upgrading current breweries in regions
  - Ongoing evaluation of acquisition targets that can help strengthen regional presence

3

#### **Continue to optimize utilization of existing production plants**

- Continue to improve efficiencies of the breweries to best-in-class operating standards



# Part III

## Appendix



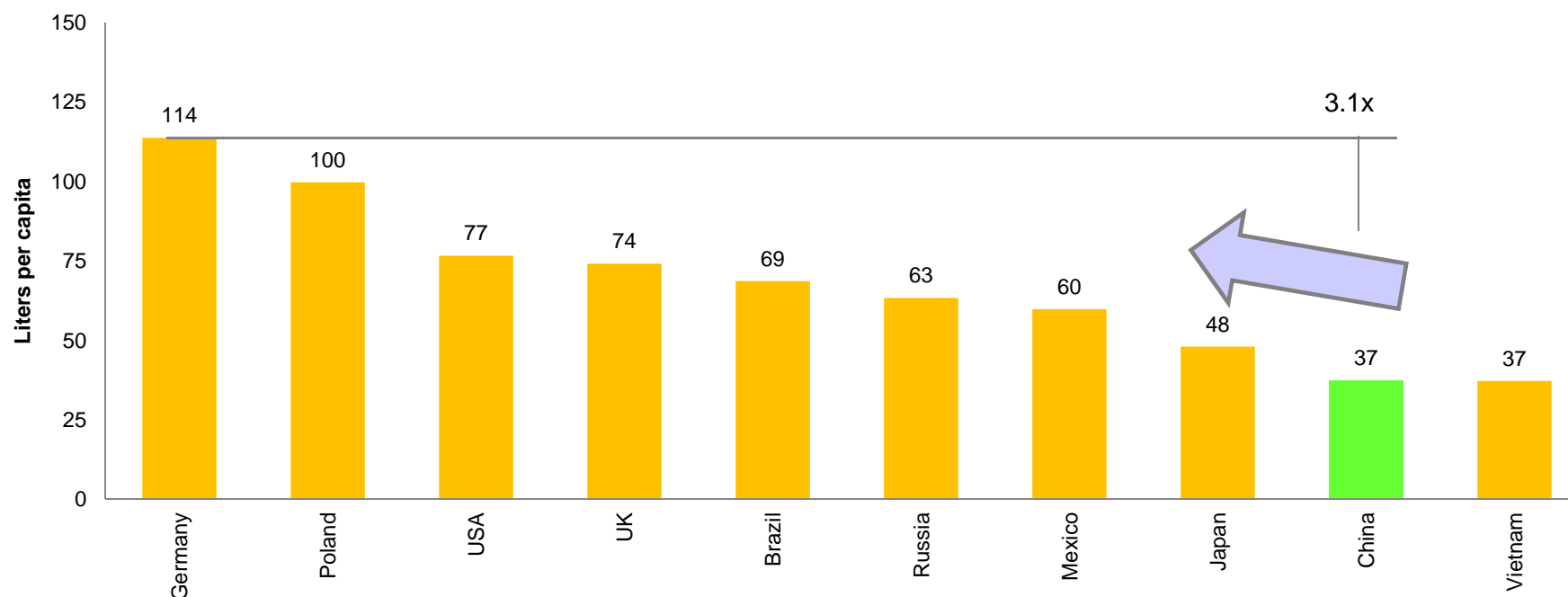




## Appendix I – Global beer consumption summary

### Long term potential on market volume growth

#### 2014 Top ten beer markets per capita volume consumption



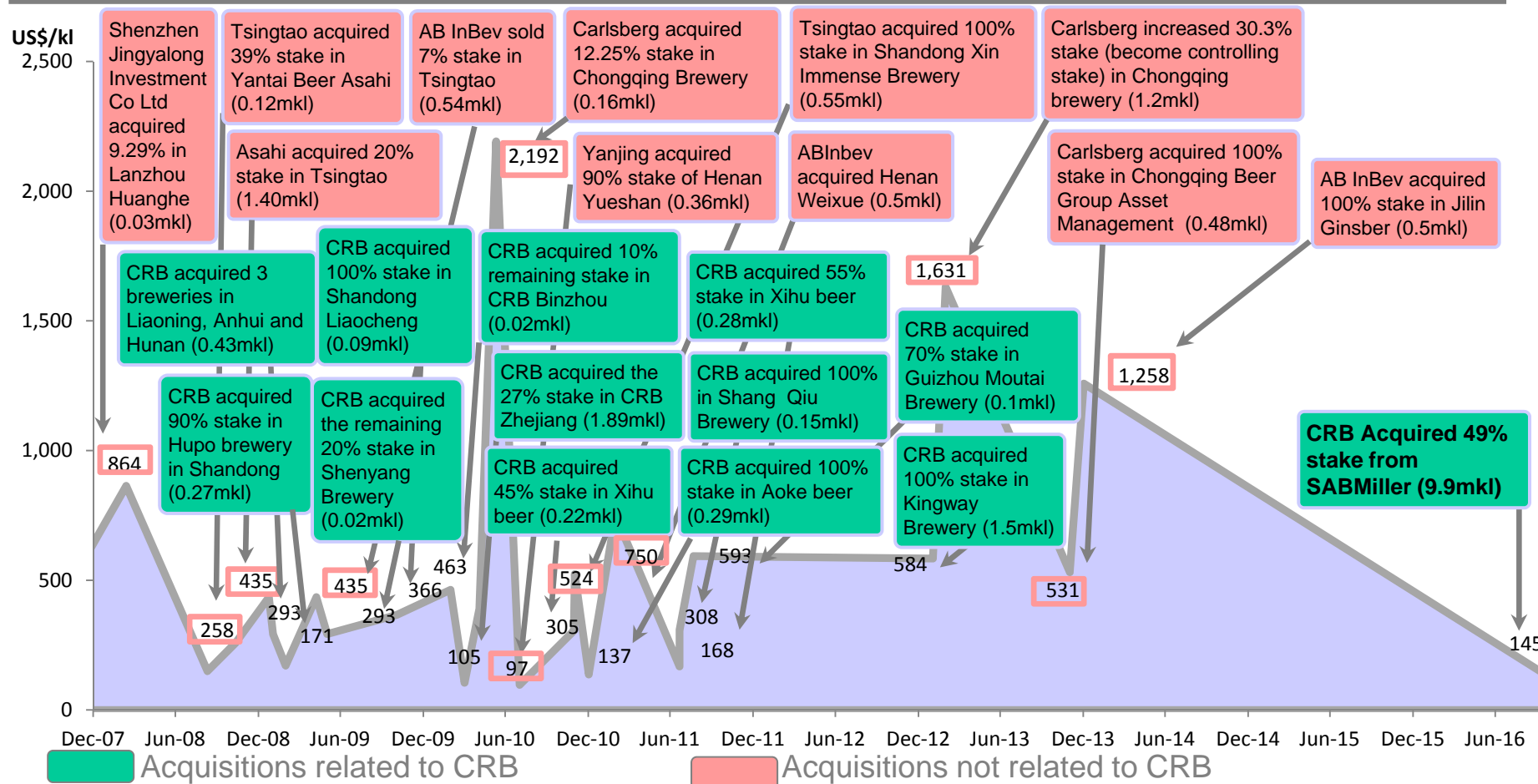
Source: Euromonitor International

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## Appendix II – Historical major M&As in beer business

### Lower acquisition cost on M&A



Source: Deutsche bank and Company data

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## Appendix III – Major awards



### ■ Highlights of accolades received

<i>Hong Kong Institute of Directors</i>	2006/2010/ 2012/2014/ 2016	Honored as one of the awardees in the <i>Board Category for "Listed Companies (SEHK-Hang Seng Index Constituents)"</i> in "Directors Of The Year Awards"
<i>Institutional Investor</i>	2012/2013/ 2016/2017	Consumer staple <i>Best IR Companies</i> : Buy (2013) and Sell Side (2012/2013), <i>Best CEO</i> : Sell Side (2013/2016), ranked second in Sell Side (2012), ranked second in Buy side (2016) <i>Best CFO</i> : Buy and Sell Side (2016), <i>Best Investor Relations Professional</i> : Buy and Sell Side (2012/2013), ranked second (2016), ranked third (2017), Sell side ranked first (2017), second (2013), <i>Best Investor Relations Program</i> : Buy side and Sell side (2016), <i>Best Analyst Days</i> : (2016) and <i>Best Website</i> : (2016), One of Asia's Most Honored Companies (2016/2017) in The All-Asia Executive Team Survey
<i>Corporate Governance Asia</i>	2010/2013- 2017	<i>Asia's best CEO (Investor Relations)</i> , <i>Asia's best CFO (Investor Relations)</i> , <i>Best Investor relations professional</i> , <i>Best Investor Relations Company</i> (2013-2017), <i>Asia's Best Corporate Social Responsibility</i> (2013 – 2016) and <i>Best Environmental Responsibility</i> (2010, 2013 - 2015)
	2010-2016	<i>Asian Corporate Directors</i> : Mr. Chen Lang (2010-2013, 2015-2016), Mr. Hong Jie (2014)
	2006-2013	<i>Asia's Best Companies for Corporate Governance</i> , <i>The Best of Asia (China)</i>
	2013-2014	<i>Asian Company Secretary of the Year</i>

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## Appendix III – Major awards (Cont'd)

### ■ Highlights of accolades received

<i>China Financial Market</i>	2017	<i>Most Valuable Brand Award</i> in China Financial Market Listed Company Awards 2016
<i>HKIRA</i>	2015-2017	<i>Best IR company – Mid-cap</i> (2015-2017), <i>Best IRO – Mid-cap</i> (2015), <i>Best IR presentation collaterals – Mid-cap</i> (2016/2017) in HKIRA Investor Relations Awards
<i>The Asset</i>	2009/ 2010/ 2012-2016	<i>Platinum award</i> : 2009/2010/2016 <i>Gold award</i> : 2012-2015 in The Asset Corporate Awards
<i>Ta Kung Pao</i>	2011/2014/ 2016	<i>Best Investor Relations Company</i> (2016); <i>Best Corporate Governance for Listed Companies</i> , <i>Best Information Disclosure for Listed Companies</i> (2014); <i>Best Management Team Award</i> (2011) in Golden Bauhinia Award
<i>Forbes</i>	2011-2016	Ranked number 981/861/800/1067/1200/1628 in Global 2000
<i>Fortune China 500</i>	2011-2016	Ranked number 39/46/37/40/38/194
<i>Economic Digest</i>	2005-2016	Named one of <i>Hong Kong Outstanding Enterprises</i>
<i>HKIFAPC</i>	2013-2016	<i>Award for Outstanding Listed Company of the Year</i>
<i>Yazhou Zhoukan</i>	2010, 2012-2016	<i>"Outstanding Performance Award"</i> (2010,2012) , <i>"The Largest Conglomerates Company Award"</i> (2013-2015) , <i>"The Largest Food and Beverage Company Award"</i> (2016) in <i>Global Chinese Business 1000</i>
	2011	<i>"The Largest Capitalization Company Award"</i> in Mainland Enterprises Listed in Hong Kong Ranking

"Various experiences across **SNOW**"

- Highlights of accolades received

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Please refer to our company website, [www.crbeer.com.hk](http://www.crbeer.com.hk), for further details of awards received prior to 2009.

21



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