華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

決戰高端 質量發展

Quality Development for Success in Premium Segment

# H1 2021

## Financial and Operational Review

## Investor Presentation

*18 August 2021*

# Part I

## *Performance Review*

# Overall Results Summary

| | H1 2021 RMB m | H1 2020 RMB m | change |
|---|---|---|---|
| **Turnover** | **19,634** | **17,408** | ***+13%*** |
| **EBIT** | **5,913** | **2,790** | ***+112%*** |
| **EBIT excl. special items *** | **4,403** | **3,079** | ***+43%*** |
| **Profit attributable to shareholders (PAS)** | **4,291** | **2,079** | ***+106%*** |
| EPS (RMB) | 1.32 | 0.64 | *+106%* |
| DPS (RMB) | 0.264 | 0.128 | *+106%* |
| Dividend payout ratio (Proposed dividend/PAS) | 20% | 20% | - |
| ROE ** | 18.5% | 10.1% | *+8.4% point* |
| Additions to non-current assets | 421 | 427 | *-1%* |
| Net assets | 25,149 | 21,673 | *+16%* |
| Net cash | 11,815 | 8,663 | *+36%* |
| **Cash ratio** | **47.0%** | **40.0%** | ***+7.0% point*** |

Notes:

* Total special items amounted to RMB(1,510)m (H120: RMB289m), including (i) impairment loss on fixed assets of RMB205m (H120: RMB263m); (ii) compensation and one-off recognized employee compensation and settlement expenses of RMB40m (H120: RMB26m); and (iii) initial compensation gain on transfer of a land in H121 amounting to RMB1,755m .

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

# Beer

- **Development Premium Segment, Improving Quality and Increasing Efficiency**

| | H1 2021 RMB m | H1 2020 RMB m | *change* |
|---|---|---|---|
| **Sales volume (million kl)** | **6.337** | **6.039** | *+4.9%* |
| **ASP (in RMB/kl)** | **3,098** | **2,882** | *+7.5%* |
| **Turnover** | **19,634** | **17,408** | *+13%* |
| **Gross profit** | **8,305** | **7,030** | *+18%* |
| **EBIT** | **5,913** | **2,790** | *+112%* |
| **EBIT** excl. special items* | **4,403** | **3,079** | *+43%* |
| ***GP margin*** | ***42.3%*** | ***40.4%*** | *+1.9% point* |
| ***EBIT margin*** | ***30.1%*** | ***16.0%*** | *+14.1% point* |
| ***EBIT margin*** *(excl. special items*)* | ***22.4%*** | ***17.7%*** | *+4.7% point* |

*Increase in turnover was mainly driven by rapid development of premiumization. Profitability improvement was mainly driven by continuous improvement on premiumization, cost and expenses efficiency as well as initial compensation gain on transfer of a land.*

**Mainstream** **Mid-end**

*Sales volume of sub-premium and above in H1 2021: +50.9%*

**Sub-premium** **Premium and Super Premium**

* please refer to page 3 for details of the special items

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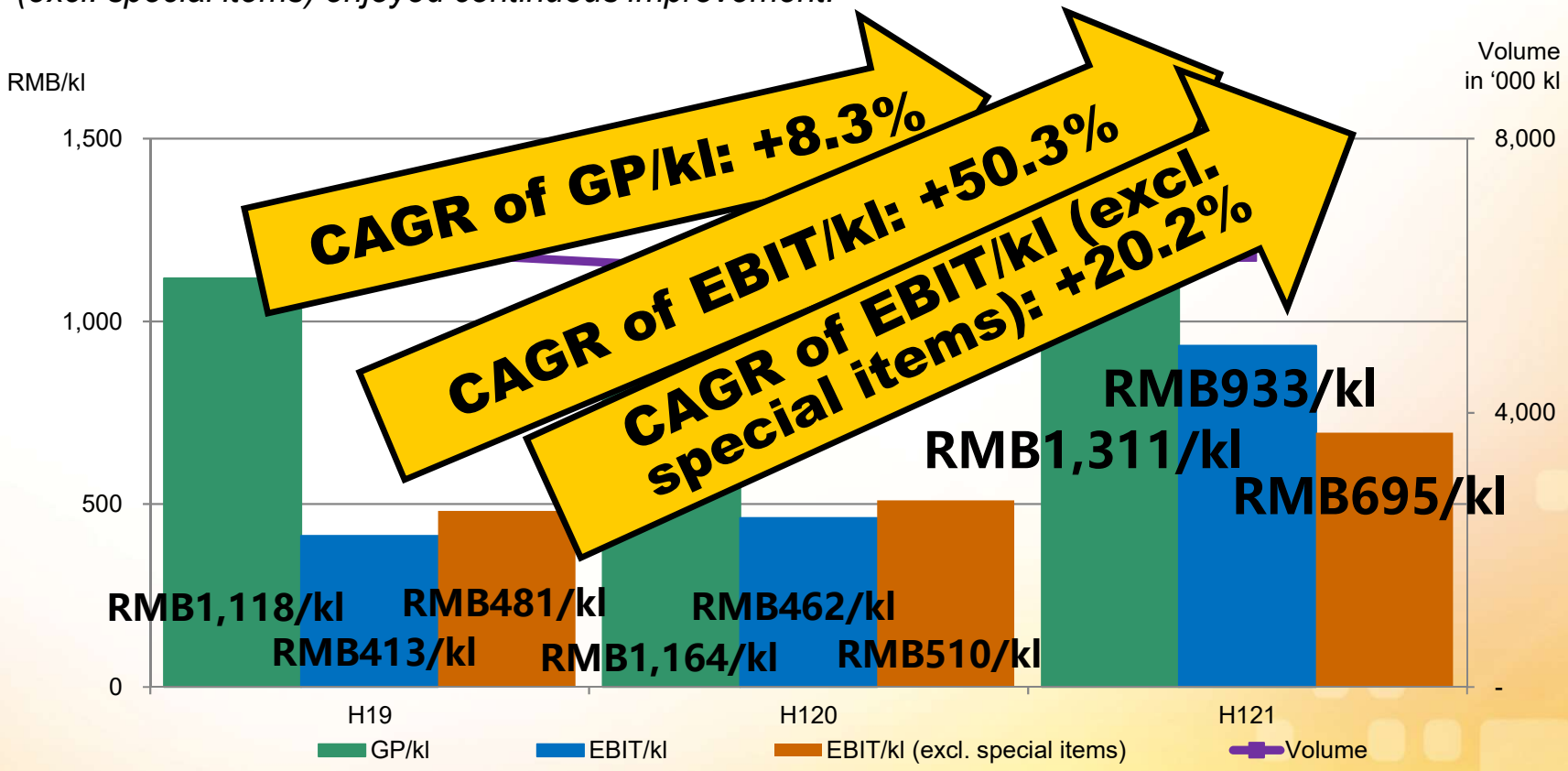
# Improvement in GP/kl and EBIT/kl

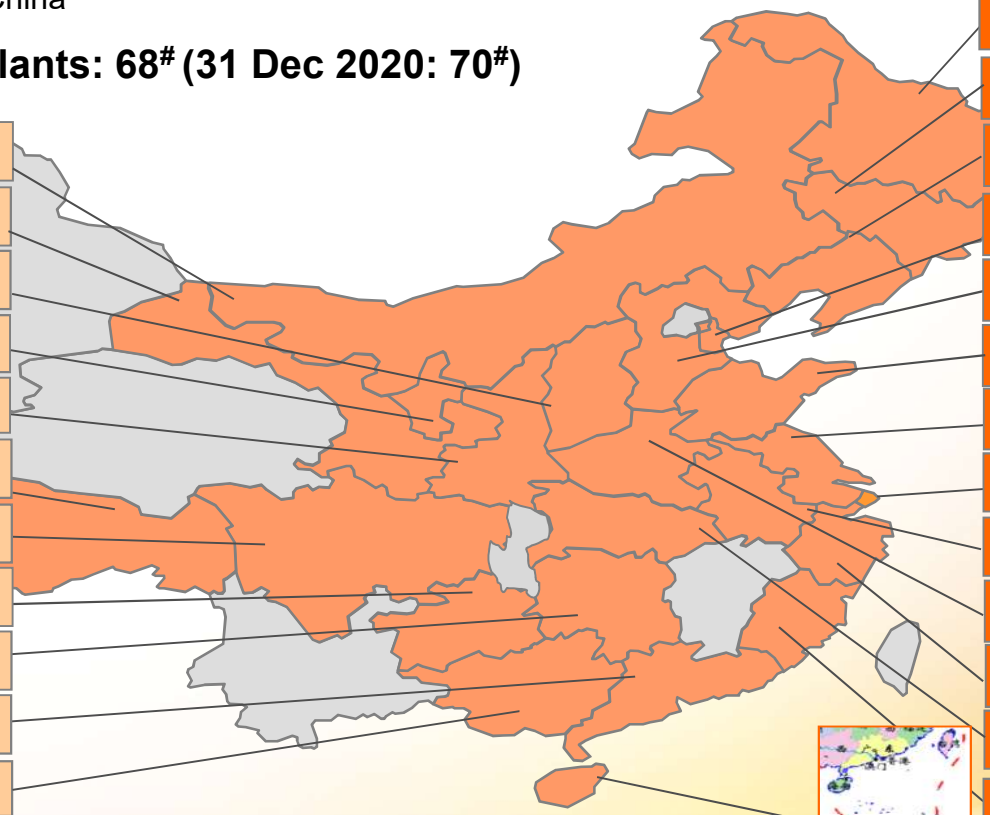
*With ongoing realization of premiumization development in the past 3 years, GP/kl, EBIT/kl and EBIT/kl (excl. special items) enjoyed continuous improvement.*



# Nationwide Geographcial Footprints

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

**Number of brewery plants: 68# (31 Dec 2020: 70#)**

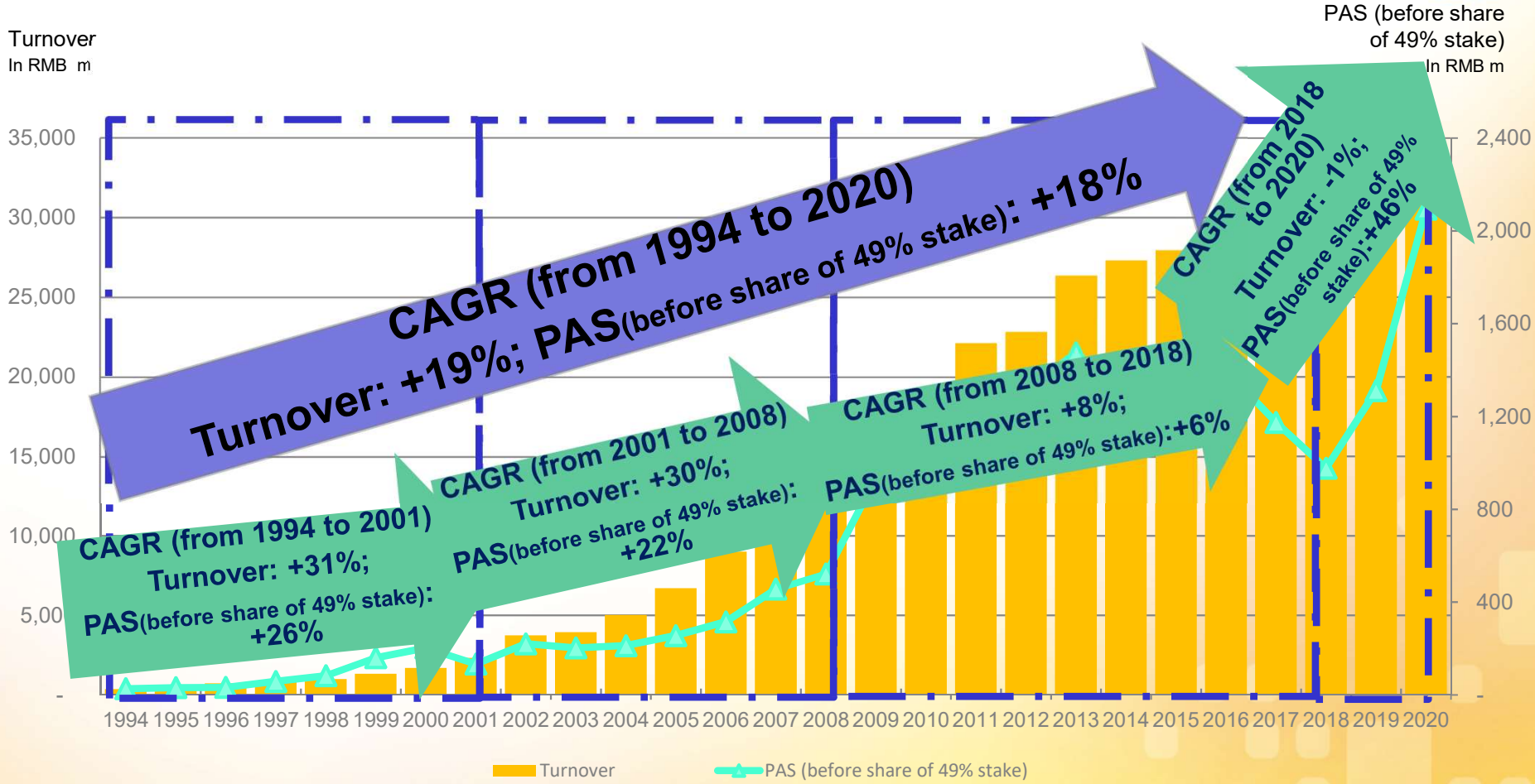


| | |
|---|---|
| **2**(0.3mkl)[-] | Inner Mongolia |
| **1**(0.3mkl)[-] | Gansu |
| **1**(0.4mkl)[-] | Shanxi |
| **1**(0.2mkl)[-] | Ningxia |
| **1**(0.2mkl)[-] | Shaanxi |
| **1**(-)[-] | Tibet |
| **9**(2.2mkl)[-] | Sichuan |
| **3**(0.8mkl)[-] | Guizhou |
| **2**(0.2mkl)[-] | Hunan |
| **4**(1.1mkl)[-] | Guangdong |
| **1**(0.1mkl)[-] | Guangxi |
| **3**(1.1mkl)[-] | Heilongjiang |
| **1**(0.4mkl)[-] | Jilin |
| **8**(1.8mkl)[-1] | Liaoning |
| **1**(0.3mkl)[-] | Tianjin |
| **2**(1.2mkl)[-] | Hebei |
| **3**(0.7mkl)[-] | Shandong |
| **4**(1.1mkl)[-1] | Jiangsu |
| **1**(0.5mkl)[-] | Shanghai |
| **6**(1.3mkl)[-] | Anhui |
| **3**(1.0mkl)[-] | Henan |
| **5**(2.0mkl)[-] | Zhejiang |
| **3**(1.2mkl)[-] | Hubei |
| **1**(0.2mkl)[-] | Fujian |
| **1**(0.1mkl)[-] | Hainan |

Notation: ***No. of breweries****(production capacity)[no. of breweries change in past 6 months]* *Region*

# Excluding those breweries ceased operation and determined by management to be closed

# Proven Growth Track Records




Quality Development

# Part II

***Others***

# Long Term Strategic Collaboration with Heineken

- **Complementary Strengths to Win in the Premium Beer Segment**

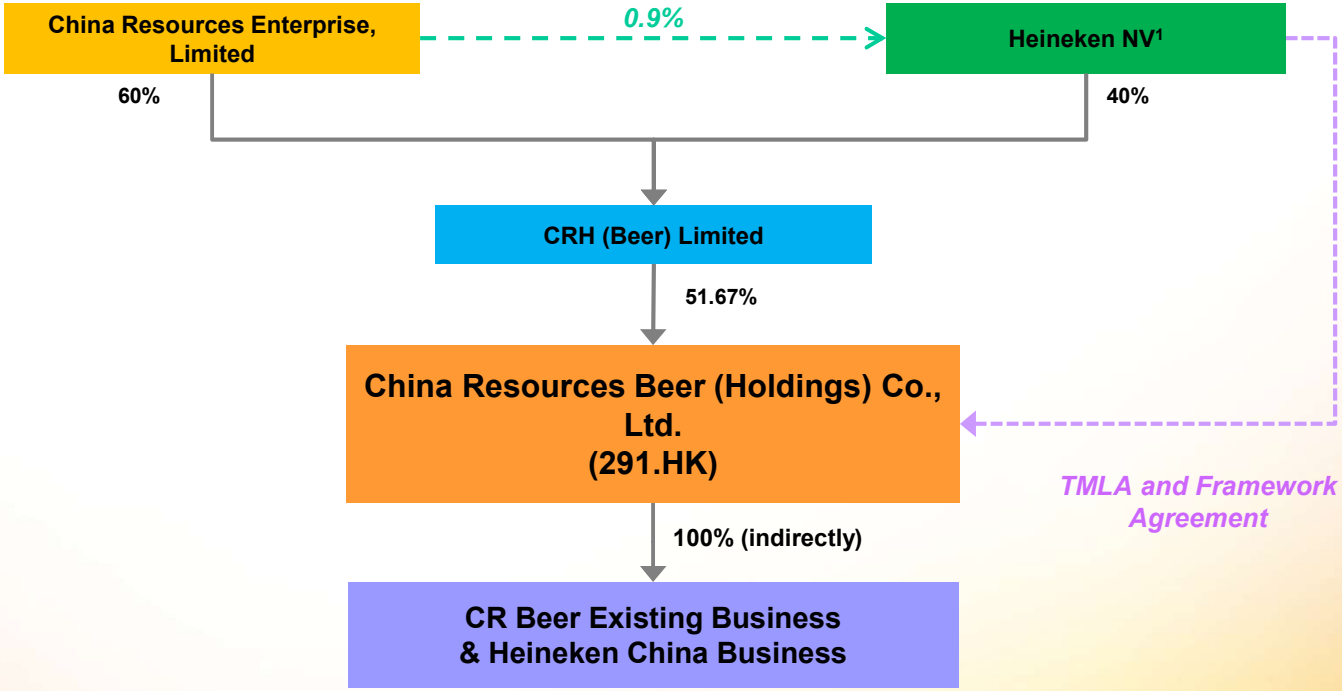
華潤啤酒
CR BEER

- Strong local team with extensive industry and domestic experience
- Market leading position and well-known product portfolio
- Best-in-class, nationwide distribution network
- Nationwide coverage best positioned for growth
- Deep understanding of China and strong supports from China Resources Group

HEINEKEN

- Established in 1864 by the Heineken family
- No. 2 brewer in the world with distribution in over 190 countries
- Leading developer and marketer of premium beer and cider brands
- Committed to innovation, long-term brand investment
- Currently owns the only brewery in Hainan Province

# Long Term Strategic Collaboration with Heineken




Note:
1. As disclosed in the joint announcement at 3 August 2018, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the relevant Heineken Group entities and their ultimate beneficial owner(s) are third parties independent of CR Beer and its connected persons.

# Evolution of China Beer Market

## ▪ Evolution of China Beer Market in the Past 3 Decades

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

| | First Stage<br>*Regional Expansion*<br>1990-1996 | Second Stage<br>*Market Consolidation*<br>1996-2010[1] | Third Stage<br>*Premiumization*<br>2010-2016[2] | *Future Development* |
|---|---|---|---|---|
| **Industry Leaders** | TSINGTAO 青岛啤酒<br>燕京啤酒 YANJING BEER | #1 雪花<br>#2 TSINGTAO 青岛啤酒<br>#3 燕京啤酒 YANJING BEER<br>#4 AB InBev / 哈尔滨啤酒 HARBIN BEER | #1 雪花<br>#2 TSINGTAO 青岛啤酒<br>#3 AB InBev | #1 雪花 + HEINEKEN |
| **Key Growth Drivers** | • China economic liberalization<br>• Regional expansion beyond core provincial markets | • Inorganic growth / M&A<br>• Critical success factors :<br>  • Successful integration and realization of synergies<br>  • Channel penetration<br>  • Increase in product quality and operational efficiency | • Product premiumization and brand building<br>• Scale advantages drive operational leverage<br>• Continued M&A consolidation of smaller / medium sized players | • Increasing sophistication of Chinese consumer taste<br>• Ongoing premiumization<br>• Packaging innovation and conversion from glass to can<br>• Gaining regional market share<br>• E-commerce growth |
| **CR Snow Strategic Milestones** | • **1994 - CRSnow first entered the China market**<br>• Set up first brewery facility in Shenyang province | • CRSnow expanded its presence into developed coastal regions via strategic acquisitions and organic growth<br>• Built nationwide CR Snow brand<br>• **2006 – CRSnow became the No.1 brewer in China by vol.** | • **CRSnow launched mid to high end brand portfolio**<br>• **2013 – CRSnow acquired Kingway Brewery, significantly enhancing its presence in Southern China** | • Product premiumization<br>• Increase canned beer market share<br>• Upgrade breweries and drive efficiency and productivity gains |

Notes
1. Euromonitor International
2. Company information

Quality Development

# Competitive Advantage

**1 The Undisputed Leader in World's Most Attractive Beer Market**
- China is the largest[1] and most attractive beer market globally
- Our sales volume achieved over 11 million kl since 2013

**2 Irreplaceable Heritage Brands and Well-recognized international brand**
- Strategic collaboration with the Heineken Group to expand into China's premium market
- Nationwide presence operating 70 breweries in 25 out 34 provinces in China

**3 Proven Track Record of Double-Digit Growth Through Premiumization and Innovation**
- Turnover and PAS (before share of 49% stake) CAGR of 19% and 18%, respectively since inception in 1994
- Increasing focus on premiumization of mid-end to high-end products

**4 Proven Management Leadership**
- Experienced management team members who works in CR Snow for many years
- Sponsorship from one of the leading SOEs in China

**5 Full ownership of the beer business with faster response**
- Shareholders will enjoy full economic benefit of future earnings growth
- Will enable faster responses to the dynamics of current beer market

**6 Leading Platform for Industry Consolidation**
- 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

Note
1. By volume according to CICC

# Sales Channel Strategy

- **Differentiated Sales Channel Strategy with Unique on-the-ground Capabilities**

***Distribution strategy focused on exclusivity, flatness, regionalized and professionalism***

## Urban markets

| | |
|---|---|
| **High end on-trade channel** | ☐ **Specific sales force** to target on-trade customers such as high-end restaurants and night clubs to promote sales of mid to high-end products<br>☐ Build and maintain a strong channel and customer relationship |
| **Other on-trade channel and traditional retail channel** | ☐ Established a **flat distributor network** by dividing targeted markets into smaller areas which eliminates layers of distributors<br>☐ Allows for **higher profitability**, closer proximity to end customers and **better management** of distributors and retailers |
| **Modern retail channel** | ☐ **Sales team at headquarters** covers and negotiates with nationwide retailers directly<br>☐ **Regional sales teams** coordinate negotiations with regional retailers and provide comprehensive sales support and monitor performance |
| **E-commerce channel** | ☐ Sales on **e-commerce platforms** such as T-mall<br>☐ Flagship stores on platforms such as JD.com<br>☐ Establishing own e-commerce platform to directly interact with end customers and consumers |

## Regional markets[1]

- Maintain **long standing relationships** with local distributors to broaden coverage and penetration
- **Flat distribution model** through careful and finer division of regional markets
- Utilize **secondary distributors** to supply to rural areas

Regional markets in smaller towns and rural areas

Source: Company Filings, Company Information

# Part III

## *Appendix*

# Appendix I – Major Awards

- **Highlights of Accolades Received**

| | | |
|---|---|---|
| *Institutional Investor* | 2012/2013/ 2016-2021 | Consumer staple<br>*Best Investor Relations Program*: First place (2016/2018/2019/2021), Third place (2020),<br>*Best Investor Relations Team*: First place (2020/2021),<br>*Best ESG SRI Metrics*: First place (2018/2019/2021), Second place (2020),<br>*Best Corporate Governance*: First place (2018/2019),<br>*Best IR Companies*: First in Buy (2013) and Sell Side (2012/2013), *Best Analyst Days*: First place (2016/2018) and *Best Website*: First place (2016), One of Asia's Most Honored Companies (2016-2021) in The All-Asia Executive Team Survey |
| *HKIRA* | 2015-2020 | *Best IR company – Large Cap* (2018-2020)/*Mid-cap* (2015-2017),<br>*Best Investor Meeting – Large Cap* (2018-2020), *Best Annual Report – Large Cap* (2019/2020),<br>*Best ESG (E) – Large Cap* (2020), *Best IR in Corporate Transaction – Large Cap* (2019),<br>*Best Investor Presentation Material – Large Cap* (2019), *Best IR Team – Large Cap* (2019),<br>*Best IR presentation collaterals – Mid-cap* (2016/2017), *3 years IR Awards Winning Company* (2017) in HKIRA Investor Relations Awards |
| *Hong Kong Institute of Directors* | 2006/2010/ 2012/2014/ 2016 | Honored as one of the awardees in the *Board Category for "Listed Companies (SEHK-Hang Seng Index Constituents)"* in "Directors Of The Year Awards" |
| *Snowball* | 2021 | *TOP investment value ranking* in 2021 Gold Enterprise Ranking |

# Appendix I – Major Awards (Cont'd)

- **Highlights of Accolades Received**

| | | |
|---|---|---|
| *Corporate Governance Asia* | 2010/2013-2020 | *Best Investor Relations Company* (2013-2020), *Asia's Best Corporate Social Responsibility* (2013-2016) *and Best Environmental Responsibility* (2010, 2013-2015) |
| | 2019, 2021 | *ESG influencer* |
| | 2010-2019, 2021 | *Asian Corporate Directors* |
| | 2006-2014, 2017-2019, 2021 | *Asia's Icon on Corporate Governance* (2014, 2017-2019, 2021), *Asia's Best Companies for Corporate Governance* (2006-2010), *The Best of Asia (China)* (2012, 2013) |
| | 2013-2014 | *Asian Company Secretary of the Year* |
| *IR Magazine* | 2012-2014, 2018-2020 | *Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company* (2012, 2013) |
| | 2013/2014 | *Global Top Mid-Cap* (2013) and ranked 19th in *Global Top 50 Gold* (2013), *Global Top 50 Silver* (2014) |
| | 2017 | *Best overall investor relations, Best in sector – Consumer staples, Best in country – Hong Kong, Best IR by sector management team (large cap)* |
| | 2018 | *Best corporate governance & disclosure* |
| *Oxfam* | 2017 | *Oxfam Corporate Donor Award* in Corporate Donor Programme 2016-17 |
| *Tsinghua SEM China Business Research Center and National Business Daily* | 2018-2021 | *Top 100* in Chinese Listed Companies By Brand Value |
| | 2020 | *Ranked 4th* in TOP30 and *Ranked 1st* in beer industry in 2020 Brand Value of China Listed Liquor Companies Top 30 |

# Appendix I – Major Awards (Cont'd)

- **Highlights of Accolades Received**

| | | |
|---|---|---|
| *MerComm, Inc.* | 2010-2019 | Total 71 awards received<br>*12 Gold Awards*: covering Traditional Format ("TF"), Interior design ("ID"), Printing & Production ("PP"), Cover Photo/Design ("CP/D), Overall Presentation ("OP"), Illustrations in Beer/Wine/Spirits, Food and Supermarket Category (2013-2017, 2019)<br>*15 Silver Awards:* covering Traditional Annual Report ("TAR"), Annual Report Overall Presentation ("AROP"), TF, CP/D, PP, Annual Report (AR), AR – Print, ID in Beer/Wine/Spirits, Manufacturing & Distributing, Food and Retail Category (2010-2017, 2019)<br>*25 Bronze Awards:* covering CP/D, TF, PP, Other and General, Non-Traditional Annual Report ("NTAR"), AROP, TAR, ID, Cover Design, Annual Report – Print ("ARP"), OP (Traditional Format) in Beer Manufacturing, Sales & Distribution, Beer/Wine/Spirits, Manufacturing & Distributing, Tobacco, Food & Beverage, Food, Supermarket and Convenience Stores Category (2011-2019);<br>*19 Honors Awards:* covering Infographics, ID, Printing, TF, TAR, AROP, Annual Reports Covers (Special Treatment), NTAR, Annual Report (Unique Presentation), Overall presentation and Cover Design, ARP in Food/Packaged Goods, Manufacturing & Distributing, Beer/Wine/Spirits, Beverage, Multi-Industry, Food, Supermarket, Consumer Goods Category: (2011, 2013-2018) |
| *League of American Communications Professionals LLC* | 2013-2019 | *Platinum*: Consumer Staples; Consumer –Food/Beverages/Tobacco category (2018/2019)<br>*Gold*: Consumer Staples; Consumer –Food/Beverages/Tobacco category (2013-2015/2017); Retailing – Multi-line Retail category (2013); *Silver*: Consumer Consumables category (2016), Retailing – Multi-line Retail category (2014); Retailing – Food and Specialty category (2013/2014)<br>Ranked 45th/49th in Top100 Winners Report – Worldwide (2018/2019), Ranked 65th/44th/22th/20th in Top 40/50/80 Winners Reports – Asia Pacific Region (2016-2019); Top 80/60/40/50 Chinese Reports (2016-2019), Special Achievement Award – Asia Pacifica Region (2019), Most Creative Report in Asia-Pacific Region (2018) and Technical Achievement Award (2018) in Vision Awards Annual Report Competition (Annual Report and ESG report for 2017 awards) |

# Appendix I – Major Awards (Cont'd)

- **Highlights of Accolades Received**

| | | |
|---|---|---|
| *National Business Daily* | 2021 | *Listed Company with the Best Return on Investment*<br>*Star product – Snow Draft Beer Ingenuity in Craft* |
| *Sina Finance* | 2020 | *Entrepreneur with the best leadership in Golden Qilin Hong Kong Stocks Value List* |
| *Securities Daily* | 2020 | *Listed company with the best craftsmanship spirit in Golden Horse Awards* |
| *Fortune China 500* | 2011-2020 | Ranked number 39/46/37/40/38/194/222/252/274/295 |
| *am730 and PR Asia* | 2020 | *Listed Company Award of Excellence (Main Board – Large Market Capitalization) in Listed Company Award of Excellence* |
| *The Mirror Monthly Magazine* | 2012-2018 | Received *Outstanding Corporate Social Responsibility Award* |
| *Asiamoney* | 2010/2012 | *Overall Best companies in Asia for Corporate Governance,*<br>*Best awards in Asia region (ex-Japan) for disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, Best for Investor Relations* (2012)<br>*Best awards in Hong Kong region for overall corporate governance, disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, investor relations and investor relations officer* (2010) |
| | 2011 | *Best awards: Investor relations,*<br>*Ranked second*: *Best for overall for corporate governance, disclosure and transparency, responsibilities of management and the board of directors and shareholders' rights and equitable treatment in Hong Kong region* |

# Appendix I – Major Awards (Cont'd)

- **Highlights of Accolades Received**

| | | |
|---|---|---|
| *Economic Digest* | 2019/2020<br>2018<br>2005-2016 | Outstanding Enterprise Award, Excellence Award<br>Outstanding ESG Award<br>Named one of *Hong Kong Outstanding Enterprises* |
| *Yazhou Zhoukan* | 2010, 2012-2016, 2018<br><br>2011 | *"Outstanding Performance Award"* (2010,2012) *,"The Largest Conglomerates Company Award"* (2013-2015) *,"The Largest Food and Beverage Company Award"* (2016,2018) *in Global Chinese Business 1000*<br>*"The Largest Capitalization Company Award"* in Mainland Enterprises Listed in Hong Kong Ranking |
| *Forbes* | 2011-2016, 2020, 2021 | Ranked number 981/861/800/1067/1200/1628/1954/1865 in Global 2000 |
| *The Asset* | 2009/ 2010/ 2012-2016 | *Platinum award*: 2009/2010/2016<br>*Gold award*: 2012-2015 in The Asset Corporate Awards |
| *CAPITAL and CAPITAL Weekly* | 2011-2015<br><br>2019 | Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award<br>Excellence Performance Award |
| *HKIFAPC* | 2013-2018 | Award for *Outstanding Listed Company of the Year* |
| *Ta Kung Pao* | 2011/2014/ 2016 | *Best Investor Relations Company* (2016); *Best Corporate Governance for Listed Companies, Best Information Disclosure for Listed Companies* (2014); *Best Management Team Award* (2011) in Golden Bauhinia Award |

Please refer to our company website, www.crbeer.com.hk, for further details of others awards received.

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AMSTEL
BEER
Tiger
CRYSTAL
Heineken
SILVER
PURE MALT LAGER
Heineken
ORIGINAL
PURE MALT LAGER
SILVER
AMSTEL
BEER
Tiger
ASIAN LAGER
雪花
雪花啤酒
XUE HUA PI JIU