



華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited



1H 2023 Results Announcement

*Investor Presentation
August 2023*

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Overall Interim Results Summary



	1H 2023	1H 2022	Change
	RMB m	RMB m	
Turnover	23,871	21,013	+14%
EBIT	6,245	5,159	+21%
EBIT (excl. special items*)	6,339	5,159	+23%
Profit attributable to shareholders (PAS)	4,649	3,802	+22%
Basic EPS (RMB)	1.43	1.17	+22%
DPS (RMB)	0.287	0.234	+23%
Dividend payout ratio (Proposed dividend/PAS)	20%	20%	-
ROE **	16.1%	14.7%	+1.4 pct
Additions to non-current assets	19,444	871	+2132%
Net assets	34,771	27,404	+27%
Net cash	4,110	13,628	-70%
Cash ratio	11.8%	49.7%	-37.9 pct

Notes:

* Total special items include one-off employee compensation and settlement expenses and impairment loss on fixed assets about plant closure of RMB94m (1H2022: nil)

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

Overall Interim Results Summary



	1H 2023	1H 2022	Change
	RMB m	RMB m	
Turnover	23,871	21,013	+14%
- <i>Beer business</i>	22,894	21,013	+9%
- <i>Baijiu business</i>	977	N/A	N/A
EBIT (reported) *	6,245	5,159	+21%
- <i>Beer business (reported)</i>	6,202	5,169	+20%
- <i>Beer business (excl. special items**)</i>	6,296	5,169	+22%
- <i>Baijiu business (reported)</i>	71	N/A	N/A
EBIT margin (reported) *	26.2%	24.6%	+1.6 pct
- <i>Beer business (reported)</i>	27.1%	24.6%	+2.5 pct
- <i>Beer business (excl. special items**)</i>	27.5%	24.6%	+2.9 pct
- <i>Baijiu business (reported)</i>	7.3%	N/A	N/A

The improvement of EBIT was mainly contributed by beer business.

Since the completion of the acquisition of Guizhou Jinsha in January 2023, the Baijiu business performed post-investment integration, empowerment and improvement in 1H2023. Excluding the impact of the amortization of intangible assets arising from the acquisition of Guizhou Jinsha, the earnings before interest and taxation of Baijiu business was RMB395m.

* Included the net corporate expenses of RMB28m (1H2022: RMB10m)

** Please refer to page 4 for details of the special items

Beer business: Effective Premiumization Strategy with Continuous Upgrade on Product Mix



	1H 2023	1H 2022	Change
	RMB m	RMB m	
Sales volume (million kl)	6,571	6,295	+4.4%
ASP (in RMB/kl)	3,484	3,338	+4.4%
Turnover	22,894	21,013	+9%
Gross profit	10,351	8,878	+17%
EBIT	6,202	5,169	+20%
EBIT (excl. special items*)	6,296	5,169	+22%
PAT (excl. special items*)	4,783	3,817	+25%
GP margin	45.2%	42.3%	+2.9 pct
EBIT margin (excl. special items*)	27.5%	24.6%	+2.9 pct
PAT margin (excl. special items*)	20.9%	18.2%	+2.7 pct

The increases in turnover were mainly driven by the recovery on consumption demand and continuous premiumization.

The improvement in profit was mainly driven by the premiumization development, decline in costs of certain packaging materials and improvement on efficiency of costs and expenses.

Beer business: Effective Premiumization Strategy with Continuous Upgrade on Product Mix

1H2023 vs 1H2022

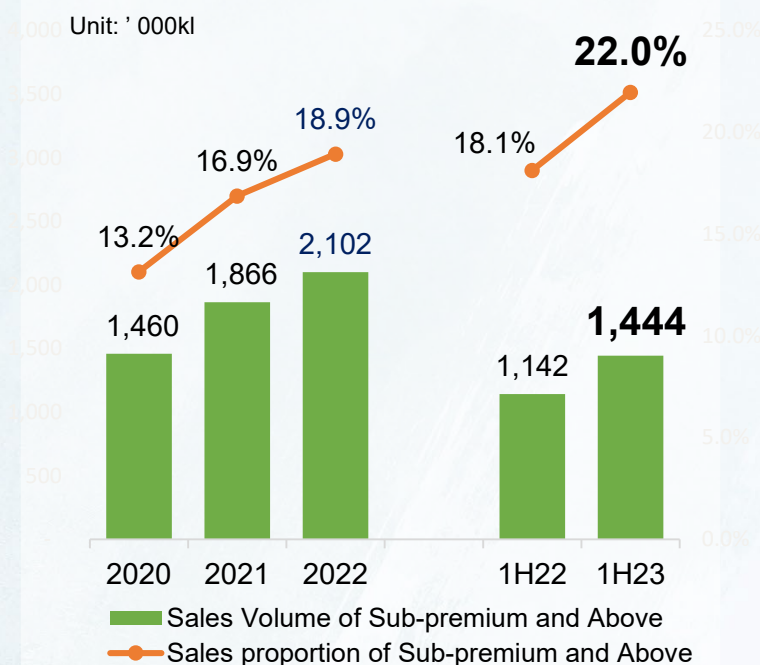
Sales volume of sub-premium and above
+26.4%

GP/kl
+11.7%

EBIT/kl
(excl. special items*)
+16.7%

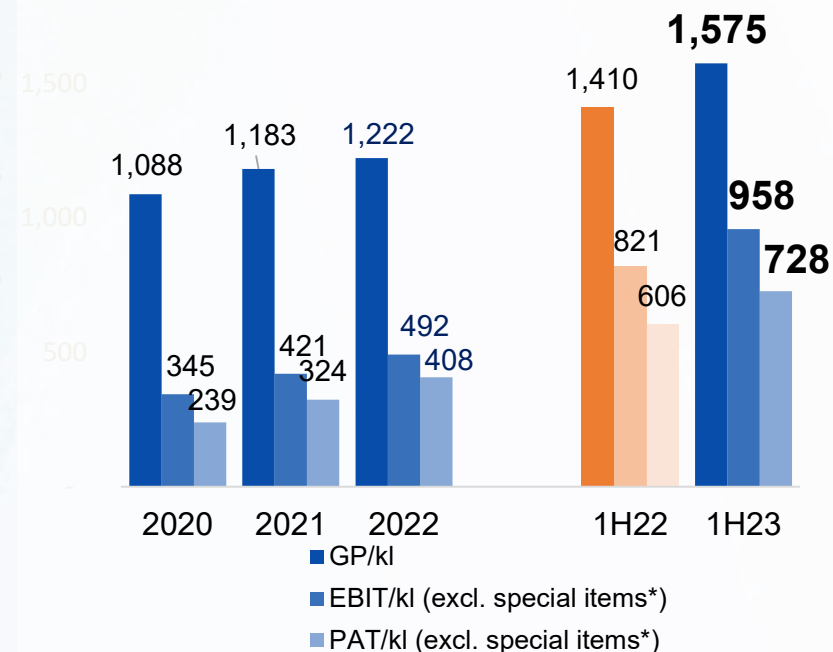
PAT/kl
(excl. special items*)
+20.0%

Increasing sales volume prop. of sub-premium and above



Improving Profitability with Premiumization Strategy

Unit: RMB/kl





Development Strategy

A Leading Enterprise in China's Beer Industry

About us

- CRB, an alcoholic beverage listed subsidiary company (stock code: 00291 (HKD counter) and 80291 (RMB counter) of China Resources (Holdings) Company Limited, is one of the constituent stocks of the Hang Seng Index. The Group focuses on the manufacturing, sales and distribution of alcoholic beverage products.
- Since 2017, the Group has implemented the "3+3+3" strategic roadmap, following with major initiatives such as brand remodeling, capacity optimization, organizational transformation, operational reforms, corporate culture remodeling, and informatization upgrades. The company is determined to improve product quality and operational efficiency, as well as to make a leapfrog growth in profitability.



Mission

- Dedicated to leading the business progress and building a better life.

Vision

- The Company will focus on “product premiumization, brand diversification and internationalization” in the future, striving to build up as a leading internationalized brewing enterprise that our customers trust and our staff are proud of.



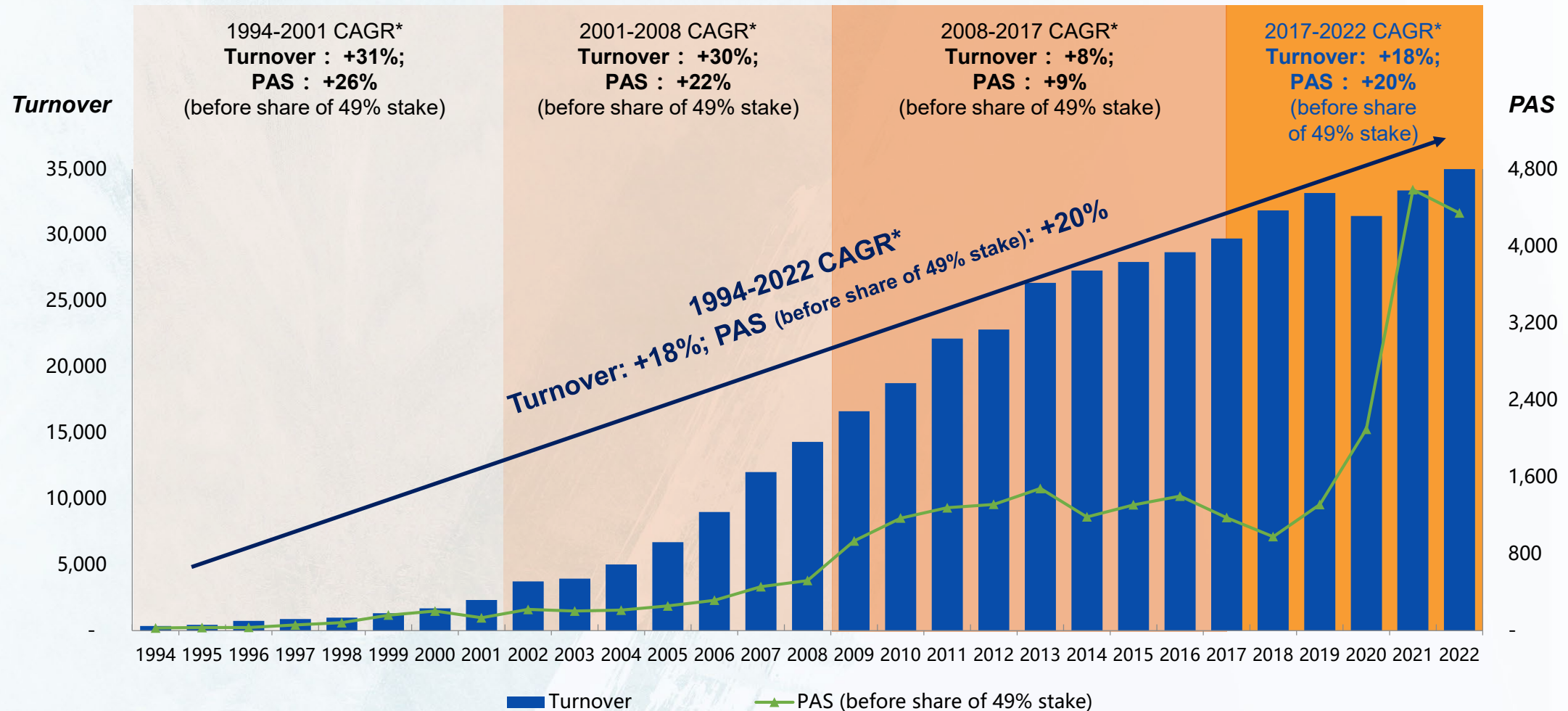
Sub-premium Products



Premium and Super-premium Products

Proven Growth Track Records with “3+3+3” Strategic Roadmap

Unit: RMB Million



* CAGR: Compound Annual Growth Rate

Join Hands to Expand China's Premium Market

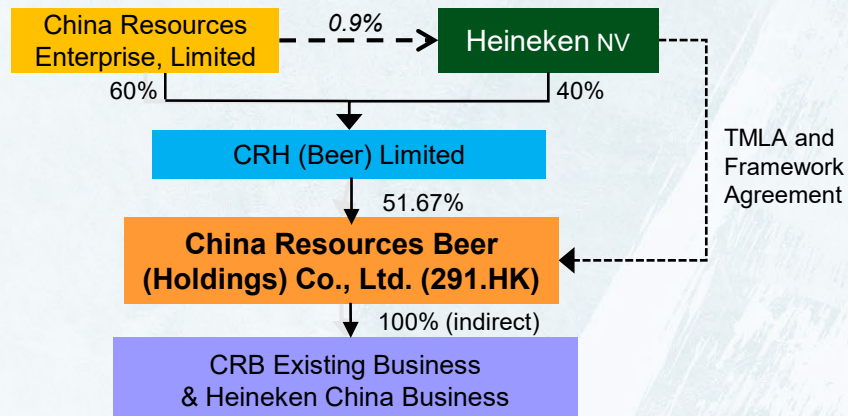


- China's leading beer enterprise
- Comprehensive brand portfolio covering various age groups and price segments
- Successful experience in creating large single brand
- Beer production capacity covers the nation with the best distribution network
- Deep understanding of China's beer market
- Strong supports from China Resources Group



- Established in 1864, famous brand with a long history
- Heineken® is one of the most recognized international beer brands in China
- The 2nd largest brewer in the world that distributes products to over 190 countries
- Extensive brewing experience in premium beer and cider
- Long-term investment in brand building with a brand image deeply tied to various sport events
- Exclusively owns the only brewery in Hainan Province

Structure



Targets



To establish premium attributes of international brands in China



To gain an influential position for Heineken® in the market segment of RMB12-15



Portfolio of “Domestic Brands + International Brands” to achieve a relatively high market share in the overall premium beer market in China

To Become the Leader of the New World of the Beer Industry

It's a new era of:

- 1 High Product Quality**
Production equipment, technology and craftsmanship and product quality have reached international standards
- 2 High Standard Production Process**
First-class equipment, modern logistics, exploration of digital factory, etc.
- 3 High Income**
A track of high speed and quality growth on industry revenue, profit, ROE and enterprise value
- 4 Good Brand**
Co-existence of various Chinese brands and international brands; more renowned brands and large single products emerge with increasing brand value
- 5 Premiumization**
Gradual increase in price gradient and category value returns, and breakthrough in price ceiling
- 6 Product Diversification**
Expand into other alcoholic beverage categories while deeply cultivating beer business
- 7 CR5 Competition**
Stable competitive landscape with high concentration of 92% market share in the hands of the top 5 players
- 8 Together We Build a Community with Shared Interest**
All parties across the industry chain shall work together to achieve mutual benefit and develop a sustainable industry order with shared prosperity



Enrich Product Portfolio to Drive the Sales of Premium Products

Industry Trend

- Rise of middle class and improved residents' spending power
- Personalized and diversified customers' needs
- With consumption upgrade, the market share of premium beer in China is expected to increase rapidly

Undertaking Measures

- ✓ Offer beers with different alcohol concentration, flavors and price range through our "Domestic Brands + International Brands" portfolio
- ✓ Meet the needs of customers of different age groups in various consumption scenarios
- ✓ Invest in brand building that exceed the industry average level, with a focus on the young generation

Key Principles: Adhering to the principle of "Precise, Lean and Streamlined", we expanded to all channels and scenarios, created a new metaverse-empowered and consumer-oriented marketing model, and created an new era of high-end brand portfolio of "Heineken + superX + Snow Draft Beer, and other products", with an aim to stabilize the mid-end segment and consolidate the business foundation



Construct Key Customer Platform to Obtain Critical Resources in Sales Channels

Preparation

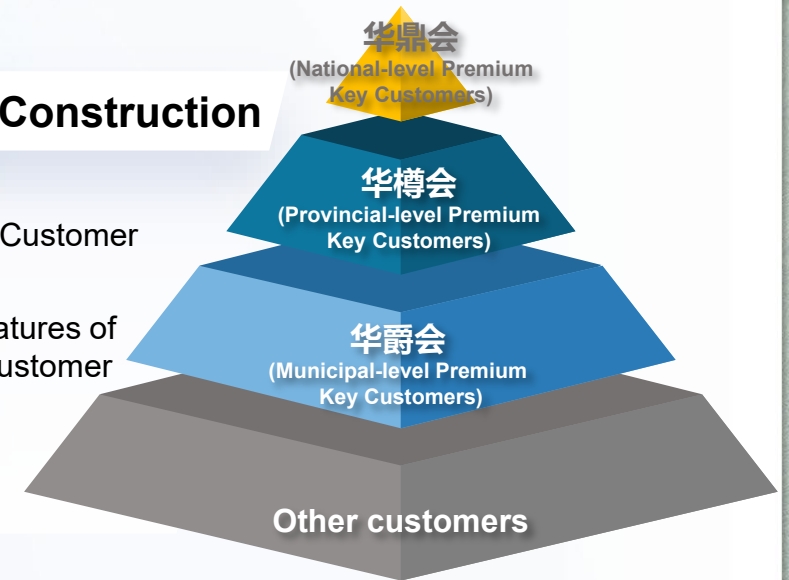
- Obtain more high-quality customer resources from the market
- Secure the “fine second batch of wholesalers”

Empowerment

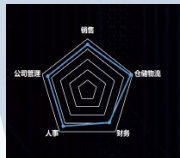
- Prepare joint business plans
- Carry out “Fire Pistol” training programs
- Enhance capabilities of operational and POS management of key customers

Platform Construction

- Operate Key Customer Platform
- Distinctive features of Snow’s key customer platform



Operational Empowerment



Provide customized solution to tackle weaknesses by evaluating through a Five-dimensional Model



Productivity Empowerment

Offer more comprehensive hardware upgrade options to dealers through a unified discussion channel with suppliers



Professionalism Empowerment

Track new industry trends and obtain more channel resources for the distribution venues of different segments

Joy Brew Flagship and Local Stores

Develop innovative business models and build bistros with distinctive features, enabling in-depth communications between brands and customers



**Joy Brew
Nationwide Store
Opening Plans**

Joy Brew Flagship Store

Invested by distributors + Empowered by the China Resources Snow brand

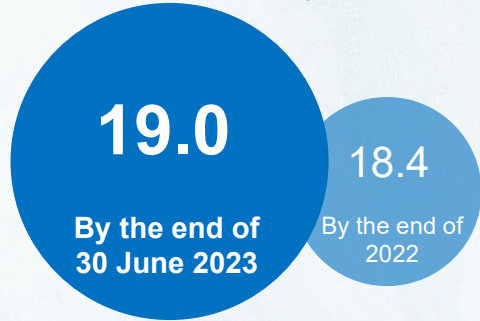
Joy Brew Local Stores

Invested by distributors + Empowered by the China Resources Snow brand

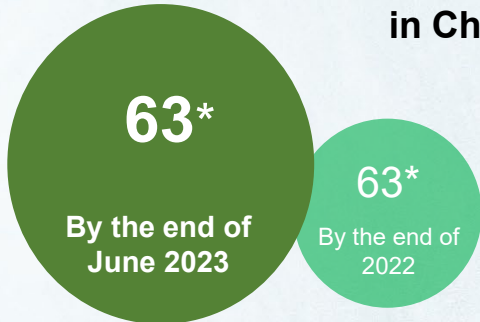


Optimize Capacity to Enhance Efficiency

Beer Annual Production Capacity (million kl)

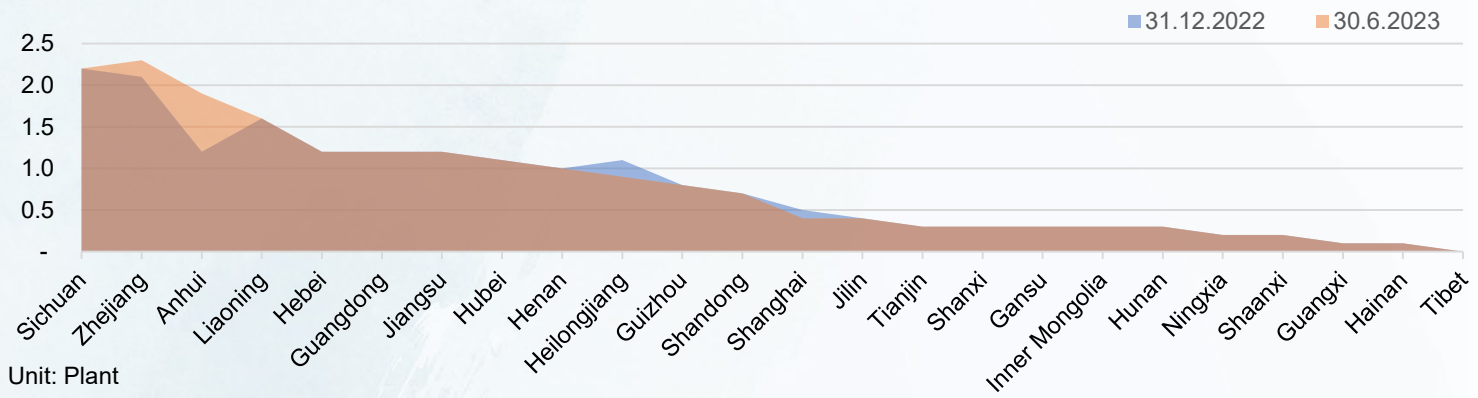


Number of Beer Plants in China

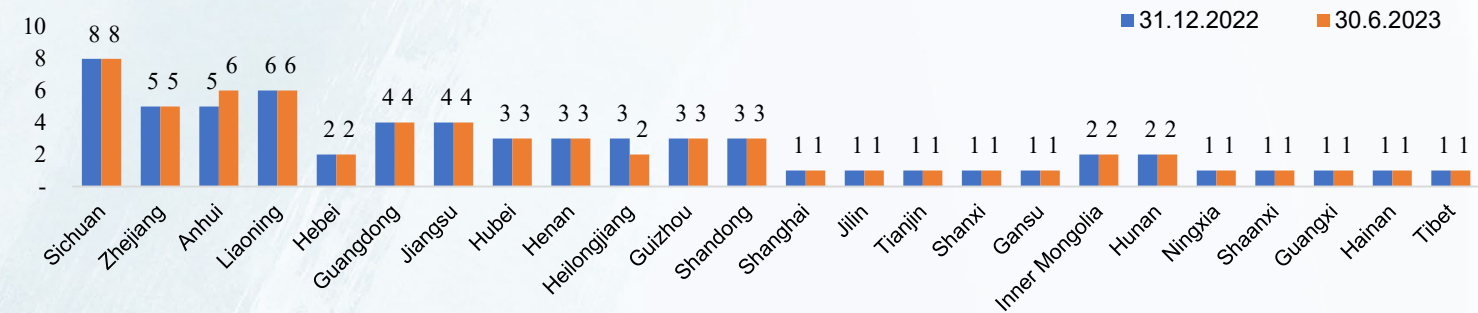


* Excluding the breweries that ceased operation and those that management decided to close

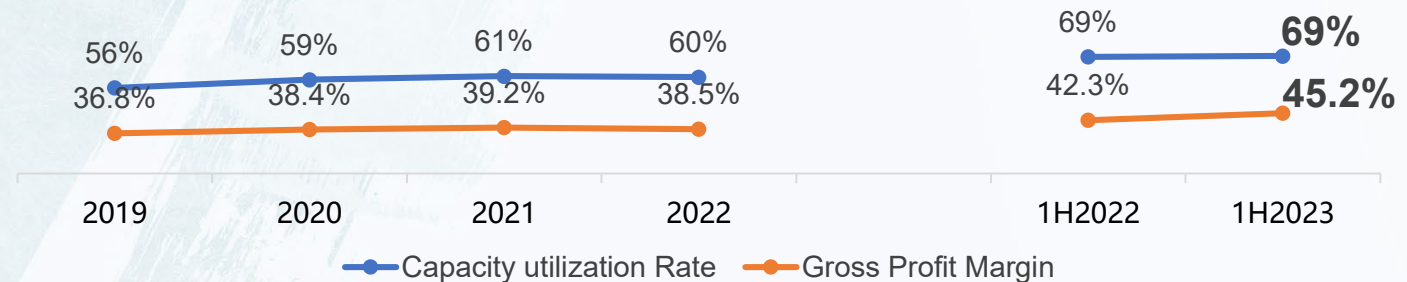
Unit: million kl



Unit: Plant



Capacity Optimization with GPM Improvement



Capacity Utilization Rate = Annual Sales Volume / Annual Production Capacity

Flexible Procurement for Effective Cost Control

Industry Trend

Raw material costs and Packaging materials costs have mixed situations

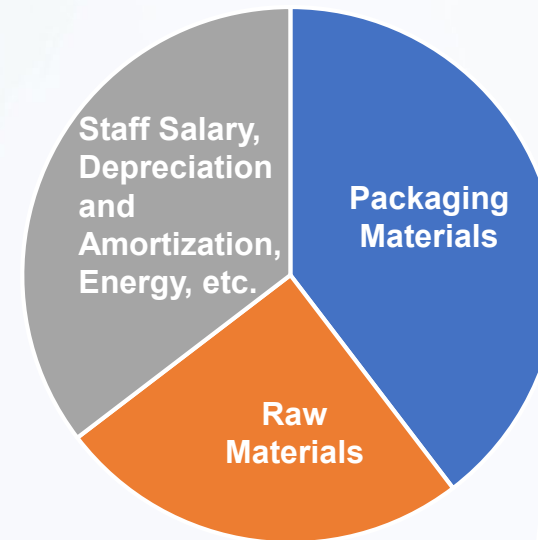
- ✓ **Increase in Raw material costs** - raw materials for production include barley, hops, yeast, rice, water, etc.
- ✓ **Decrease in Packaging materials costs** – packaging materials include aluminum cans, cartons, glass bottles, etc.

Undertaking Measures to mitigate costs pressure

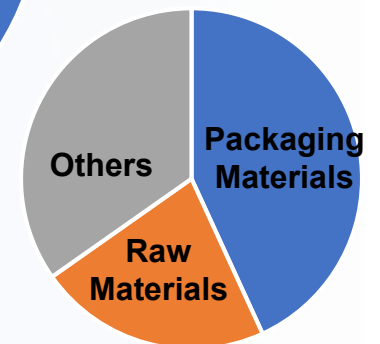
- ✓ Establish a Supplier Star System to ensure stable quality of raw materials
- ✓ Profit improvement through product mix upgrade
- ✓ Expand source of barley procurement and support domestic barley cultivation

Breakdown of COGS

1H2023



1H2022

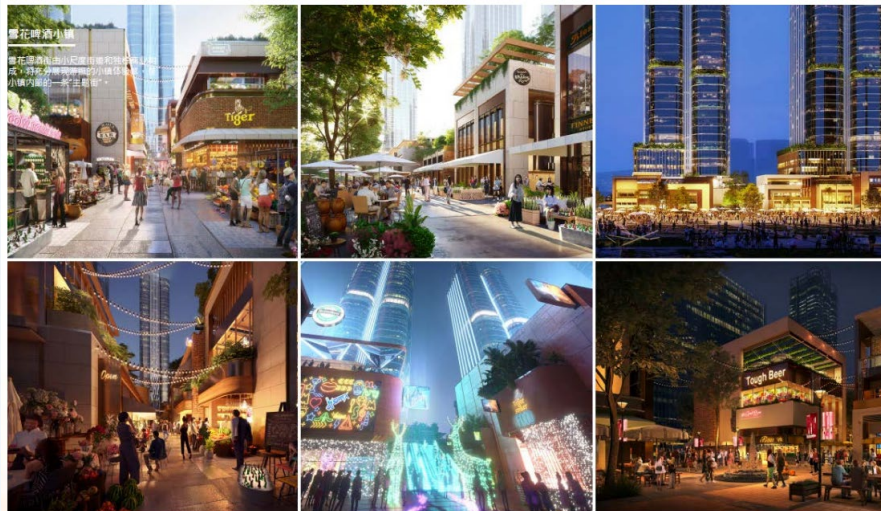


Construct Headquarters and Beer Town

Shenzhen Headquarters Project

A local, social, diverse beer lifestyle community which will become an important component of young culture in Shenzhen and its surrounding areas

- Headquarters
- R&D center
- Beer museum
- Craft brewery
- Beer village
- Beer leisure square etc.



Snow Beer Town Project

- “Lean, smart and green” as design concept
- Construct a young generation-oriented, attractive, pioneering beer-themed check-in point
- Create an eye-catching brand image with innovative consumption scenarios to drive premium beer sales

To Become the Explorer of the New World of Alcoholic Beverages

Through WH*, the Company has invested in high-quality baijiu assets, built valuable brands and expanded its baijiu business, becoming a leading enterprise in China's baijiu industry.



Build valuable brands

- Explore the value of each brand according to their characteristics to meet diversified customer needs
- Evaluate the brand resources and determine the brand portfolio, positioning strategies and operational guidelines of baijiu
- Develop nationwide promotional strategies
- Promote rebranding, and optimize product packaging and quality of baijiu to create large single products



Establish a working mechanism

- Establish a working mechanism for the baijiu business. Headquarters at WH* to build, promote, consolidate its capabilities of gaining and sharing experience; set up project teams to jointly study and launch key projects
- Hold regular meetings to review key businesses, and summarize and share experiences, forming a review mechanism and improving business capabilities



Enhance business management

- Standardize the business management system and process of baijiu, including sales management, brand promotion and product management
- Explore and form general practices, handbooks and tools for sales and marketing of baijiu



Carry out dual empowerment for businesses

- Deeply implement the "dual empowerment model for beer and baijiu businesses" and optimize its operation model, methods, process, tools and guidelines, enhancing the professionalism and effectiveness of implementation

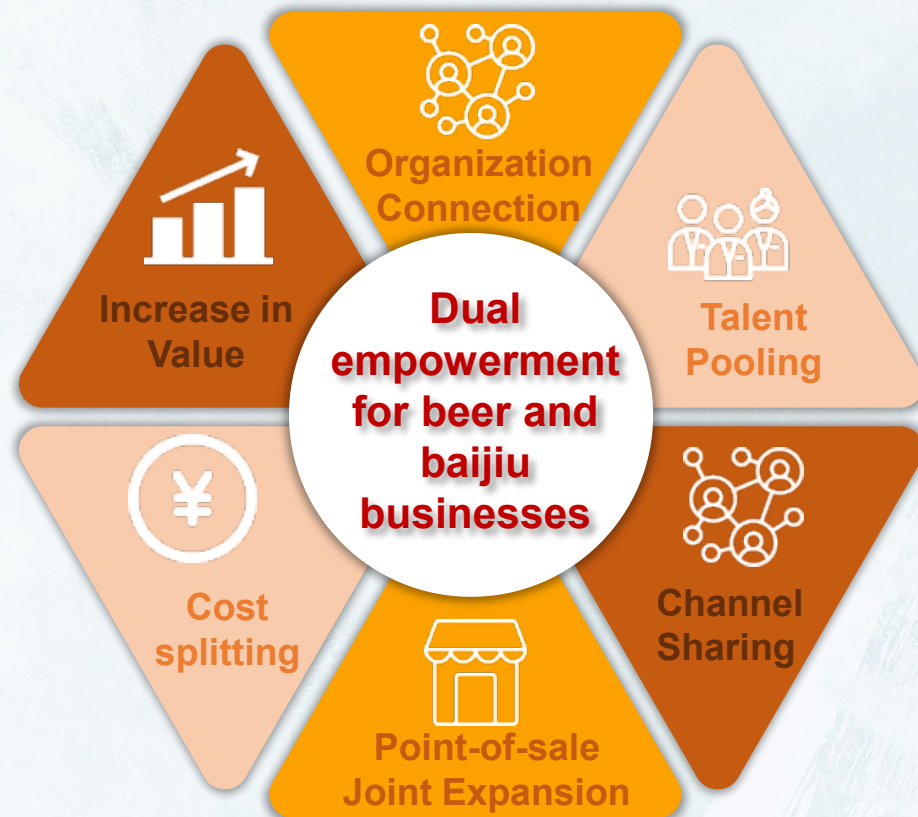


Explore group buying business

- The headquarters of WH* is equipped with group buying talents and management professionals
- Establish and improve group buying resource and promote the follow-up and implementation of group buying resources

Dual Empowerment Strategies for Beer and Baijiu Businesses

1. Dual empowerment model for beer and baijiu businesses



Dual empowerment model for beer and baijiu business to achieve 1+1>2

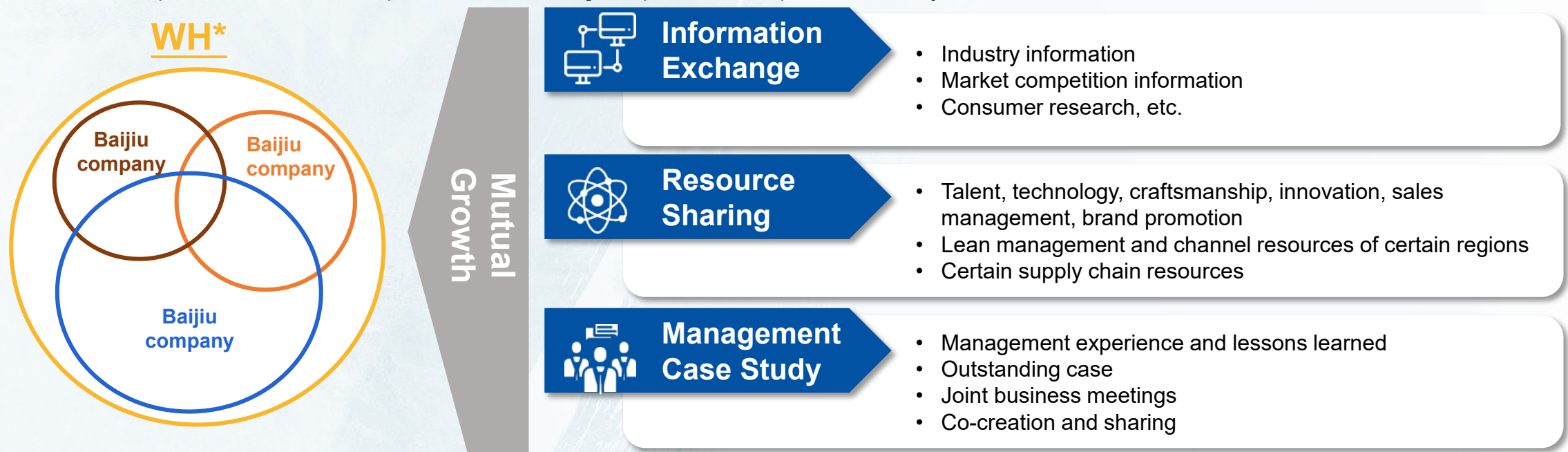
Build the dual empowerment model for beer and baijiu business ensures the independent development of the non-beer business while realizing the uniqueness of Organization Connection, Talent Pooling, Channel Sharing, Point-of-sale Joint Expansion, Cost Splitting and Increase in Value, forming a “business model” that is 1+1 greater than 2.

Dual Empowerment Strategies for Beer and Baijiu Businesses (cont'd)

2. Synergistic model of various baijiu companies

Strategic Collaborations, Each Has Their Own Duties, Independent Management, Market-oriented Mechanisms, Mutual Growth



- ✓ WH* conducts strategic planning and management for its project companies, so each project company can maintain a consistent strategic focus while having its own strategic positioning
- ✓ Each project company follows and serves its own strategic positioning, where each has their own duties and independent management
- ✓ WH* promotes information exchange, resource sharing and management case studies among project companies, turning individual capabilities into mutual capabilities and forming comprehensive capabilities for baijiu business.





Market Recognition

Major Awards in past 2 years

Organizer	Awards	Details
Institutional Investor	2023 Asia Executive Team	<ul style="list-style-type: none"> • Most Honored Company (Consumer/Staples Sector) • Best CEO (Consumer/Staples Sector) • Best CFO (Consumer/Staples Sector) • Best Investor Relations Professional (Consumer/Staples Sector) • Best Investor Relations Team (Consumer/Staples Sector) • Best Investor Relations Program (Consumer/Staples Sector) • Best ESG (Consumer/Staples Sector) • Best Company Board (Consumer/Staples Sector) 
Hong Kong Investor Relations Association	HKIRA 9th Investor Relations Awards	<ul style="list-style-type: none"> • Overall Best IR Company Awards - Large Cap • Grand ESG Award - Large Cap • Best IR by Chairman/CEO - Large Cap • Best IR by CFO - Large Cap • Best IRO (Investor Relations Officer) - Large Cap • Best IR Company - Large Cap • Best IR Team - Large Cap • Best ESG (E) - Large Cap • Best ESG (S) - Large Cap • Best ESG (G) - Large Cap • Best Investor Meeting - Large Cap • Best Investor Presentation Material - Large Cap • Best Annual Report - Large Cap 

Major Awards in past 2 years (Cont'd)

Organizer	Awards	Details
Corporate Governance Asia	Asian Excellence Award 2023	<ul style="list-style-type: none"> • Asia's Best CEO (Investor Relations) • Asia's Best CFO (Investor Relations) • Best Investor Relations Company • Best Environmental Responsibility • Best Investor Relations Professional 
Fortune China	Fortune China 500	<ul style="list-style-type: none"> • Ranked 362nd
Forbes	Global 2000	<ul style="list-style-type: none"> • Ranked 1482nd
The Hong Kong Council of Social Service	Caring Company Scheme 2022/23	<ul style="list-style-type: none"> • Certificate for the Caring Company Logo Award 
National Business Daily and Tsinghua SEM China Business Research Center	2023 Brand Value List of Chinese Listed Companies - Top 100 List	<ul style="list-style-type: none"> • Ranked 76th

Major Awards in past 2 years (Cont'd)

Organizer	Awards	Details
Corporate Governance Asia	Asian Excellence Award 2022	<ul style="list-style-type: none"> Asia's Best CEO (Investor Relations) Asia's Best CFO (Investor Relations) Best Investor Relations Company Best Investor Relations Professional 
IR Magazine	IR Magazine Awards - Greater China 2022	<ul style="list-style-type: none"> Best Overall Investor Relations (Large Cap) Best Investor Relations Officer (Large Cap) Best in Sector: Consumer Staples 
The Hong Kong Institute of Directors	Directors Of The Year Awards 2022	<ul style="list-style-type: none"> Listed Companies Boards 
Capital	Environmental Social and Governance Awards 2022	<ul style="list-style-type: none"> Environmental Social and Governance Awards
Hong Kong Investor Relations Association	HKIRA 8th Investor Relations Awards	<ul style="list-style-type: none"> Overall Best IR Company Awards - Large Cap Grand ESG Award - Large Cap Best IR by CEO - Large Cap Best IR by CFO - Large Cap Best IRO (Investor Relations Officer) - Large Cap Best IR Company - Large Cap Best IR Team - Large Cap Best ESG (E) - Large Cap Best ESG (S) - Large Cap Best ESG (G) - Large Cap Best Investor Meeting - Large Cap Best Investor Presentation Material - Large Cap Best Annual Report - Large Cap 

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