



華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

# H1 2016

Financial and  
operational review

*Investor presentation*

19 August 2016







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

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

	H1 2016 RMB'm	H1 2015 RMB'm	change
Sales volume (million kl)	6.13	6.25	-2%
ASP (in RMB/kl)	2,483	2,480	-
Turnover	15,213	15,499	-2%
Gross profit	5,120	5,194	-1%
EBIT	1,689	1,191	+42%
GP margin (%)	33.7	33.5	+0.2% point
EBIT margin (%)	11.1	7.7	+3.4% point

Overall sales volume was mainly affected by continuing sluggish economic environment and unfavourable weather conditions. Profitability improved mainly through reduction in certain material costs and better use of selling expenses.



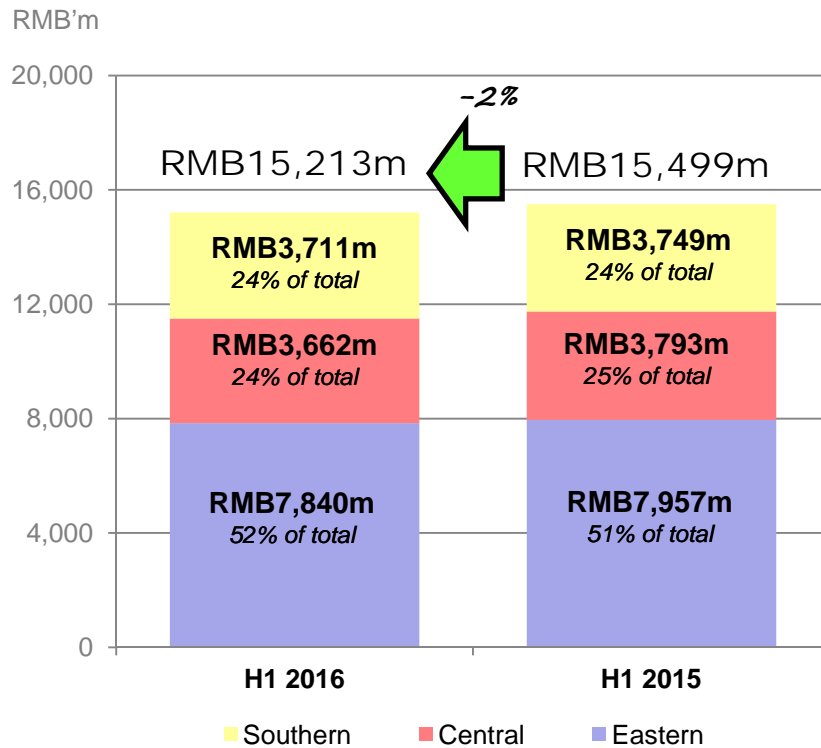
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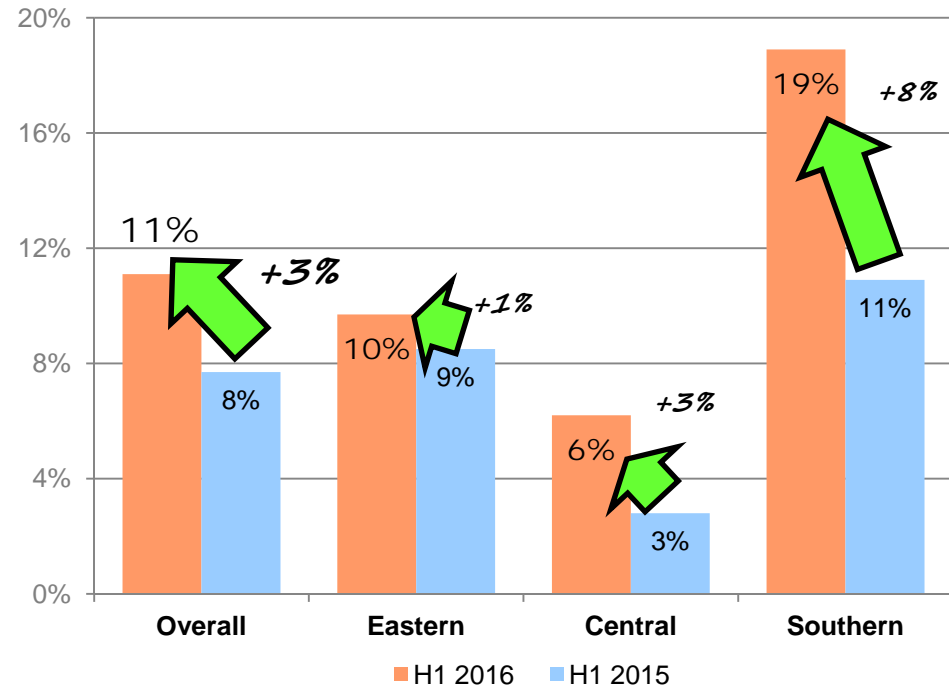
# Beer (No.1 brand by volume in the world since 2008) 雪花

## Segment results

### Turnover contribution



### EBIT margin improvement



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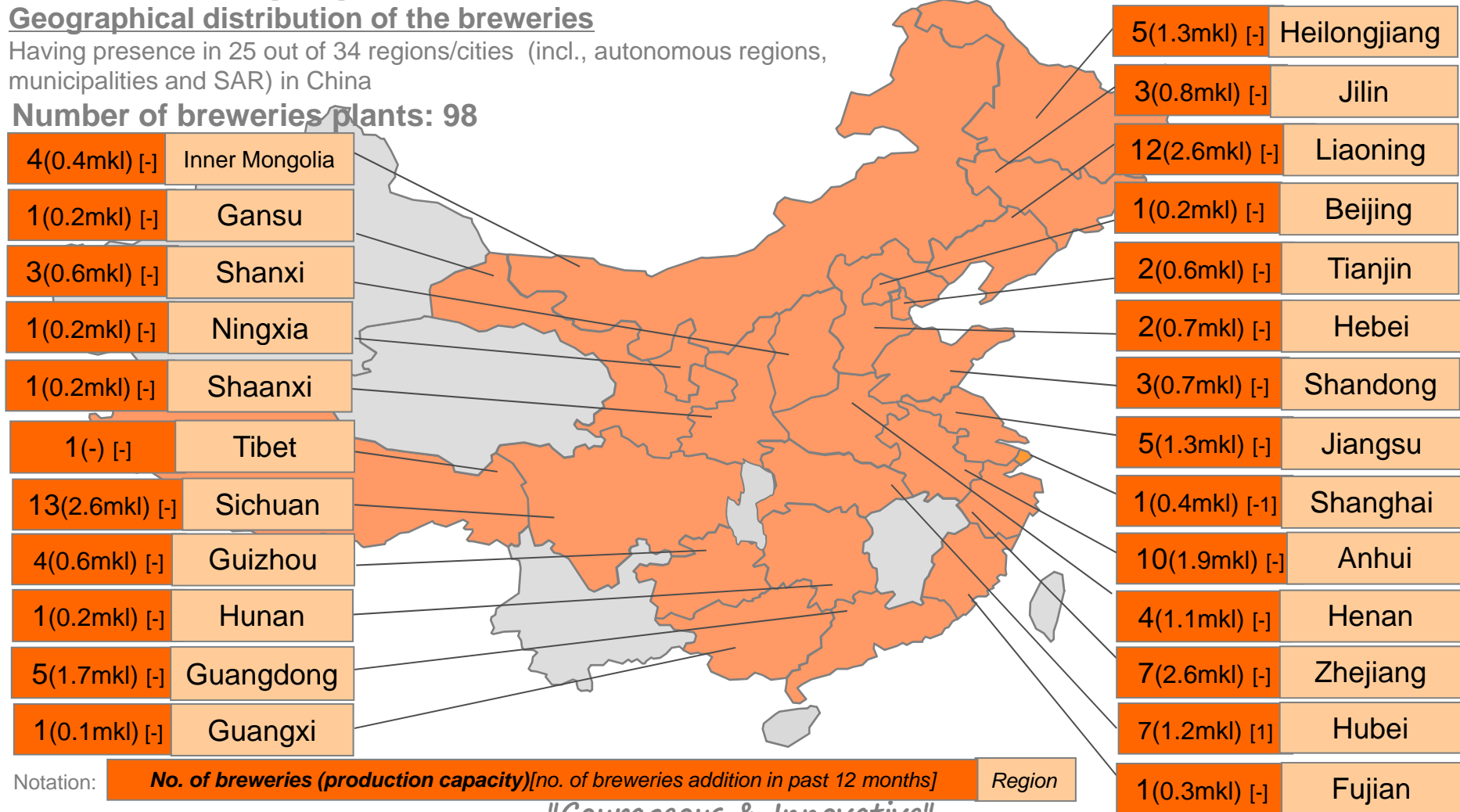


## ▪ Nationwide geographical footprints

### Geographical distribution of the breweries

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

**Number of breweries plants: 98**



Notation:

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

Region

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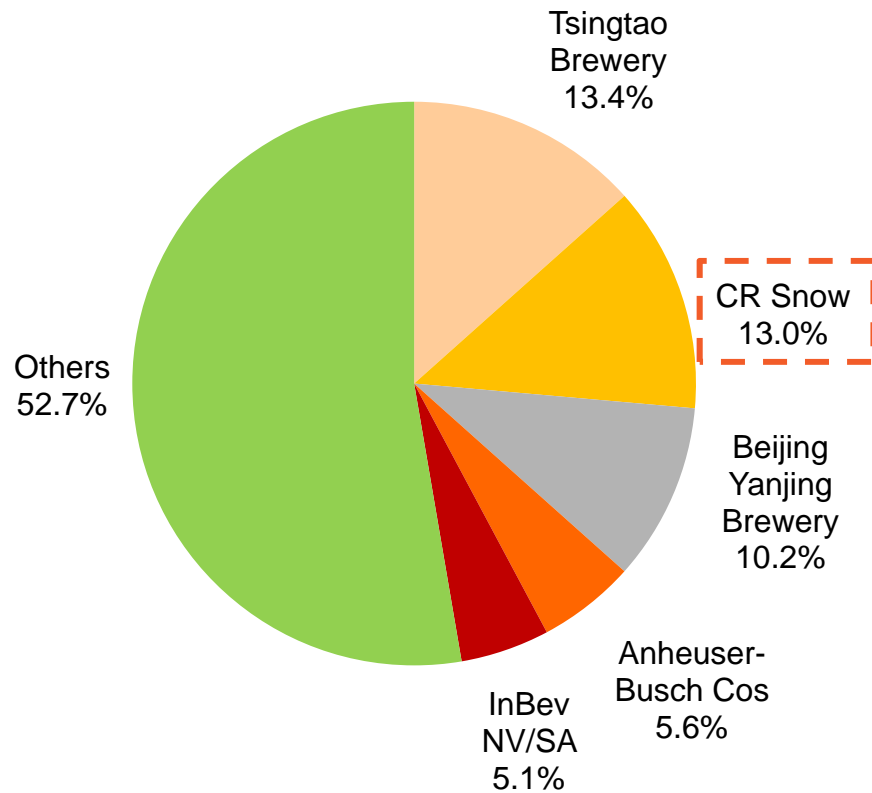


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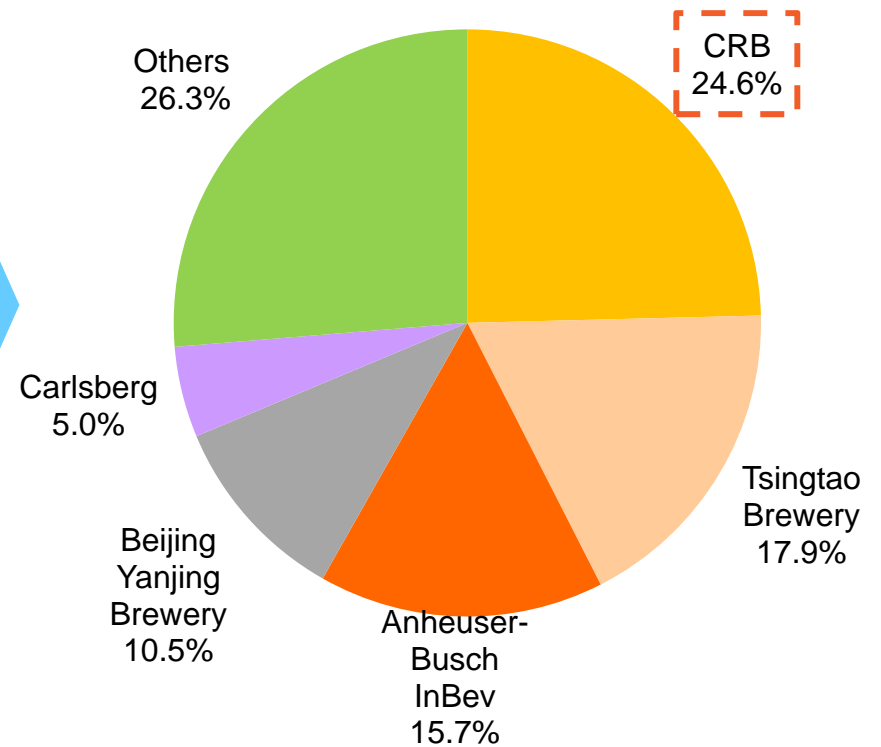
## Market share distribution

### China beer market competitive landscape by volume

2005 Top five market share = 47.3%



2015 Top five market share = 73.7%



Source: Euromonitor International, [www.cnbeverage.com](http://www.cnbeverage.com) and Company information

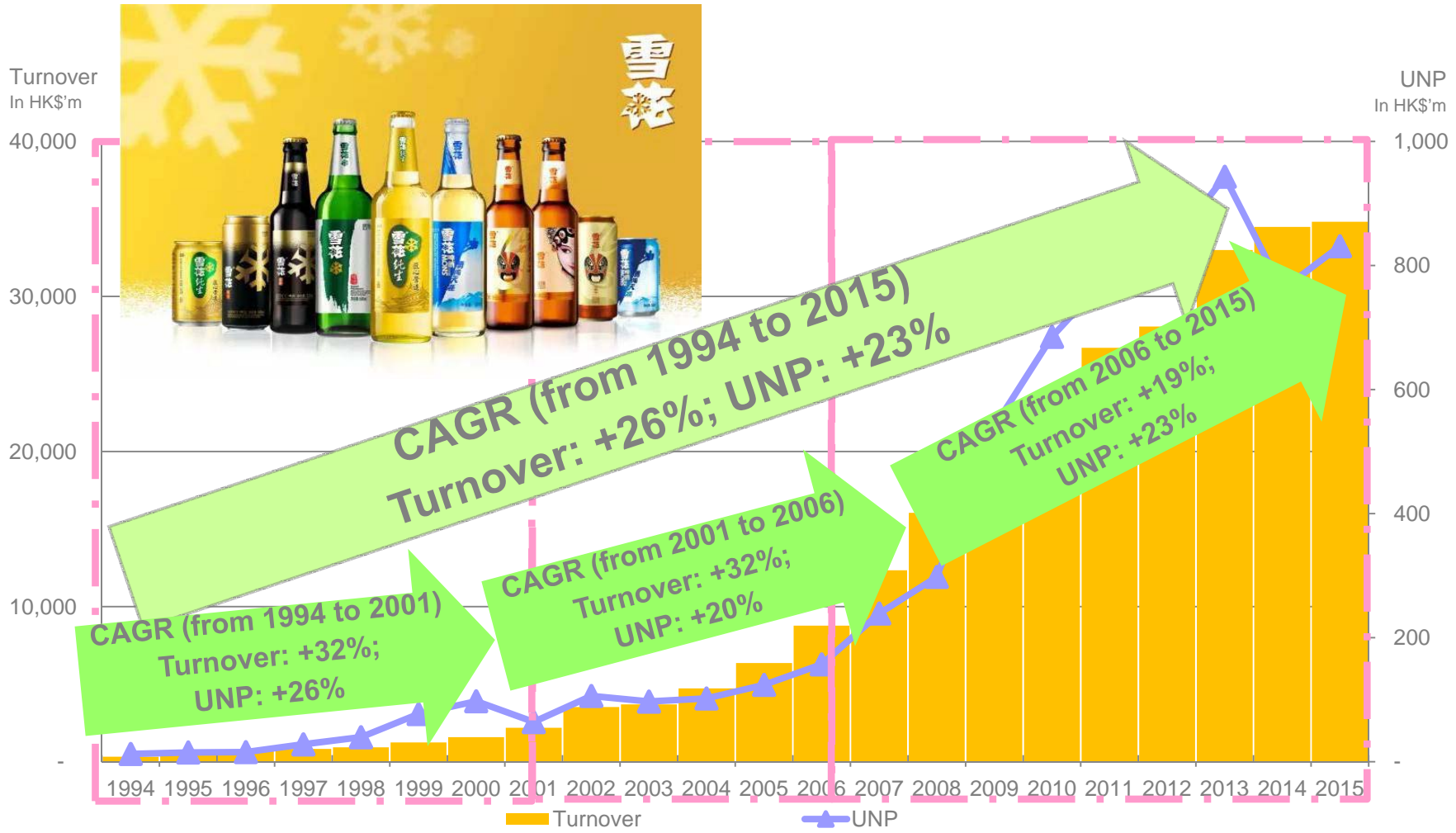
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# Beer (No.1 brand by volume in the world since 2008)



- Proven growth track records



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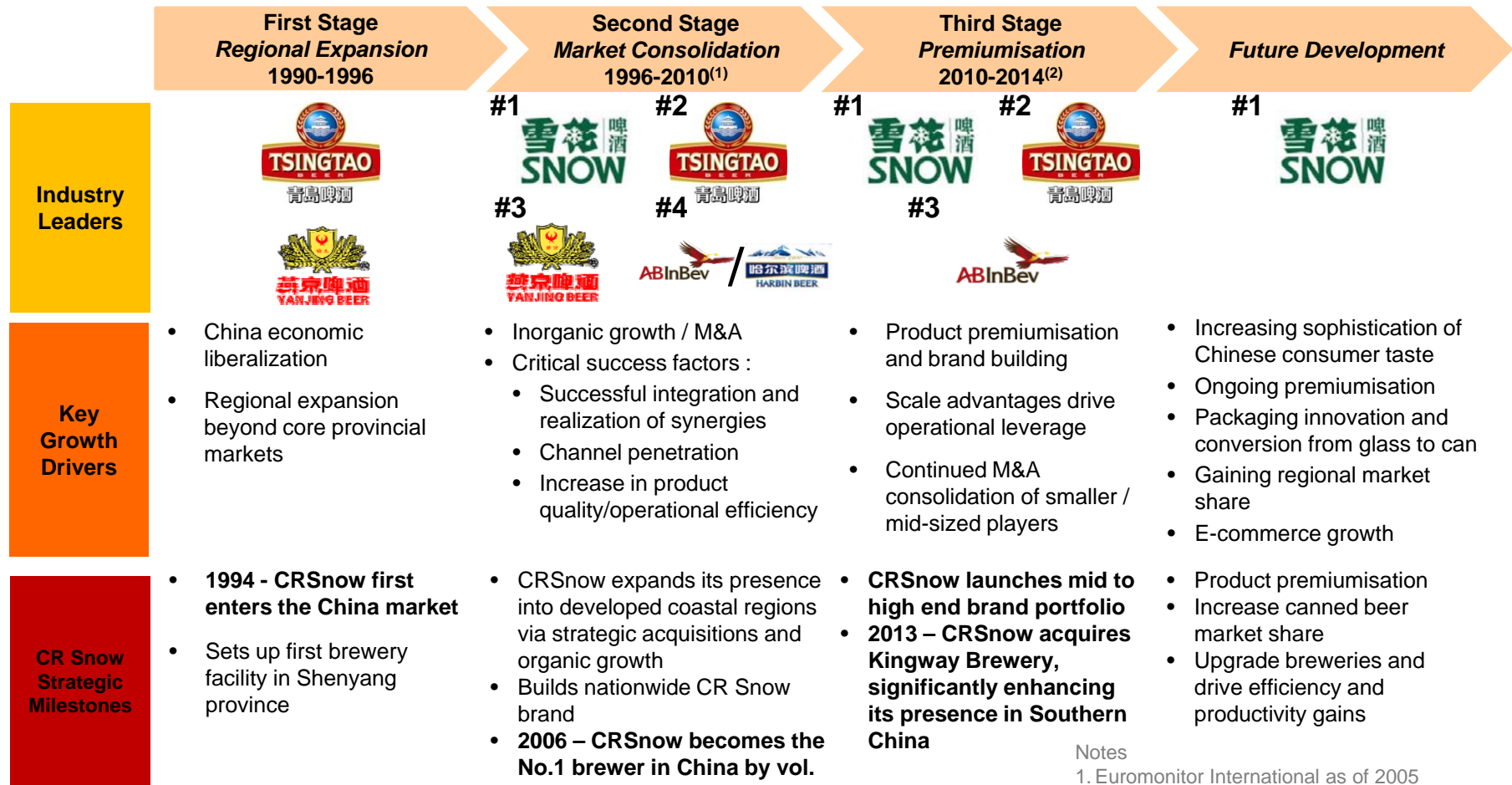




# Beer (No.1 brand by volume in the world since 2008) 雪花

## 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 2014

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



## ▪ CRB: Pure beer business

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

- China is the largest<sup>1</sup> and most attractive beer market globally valued at US\$79bn in 2014
- CRE is the #1 brewer in China for the past 9 years with 23% market share<sup>1</sup> vs. 18% for the next player in 2014

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

- 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 97 breweries in 25 out of 34 provinces in China

### 3 Proven Track Record of Double-Digit Growth Through Premiumisation and Innovation

- Successful track record of growth through increasing volumes and ASPs
- Sales and net income CAGR of 26% and 23%, respectively since inception in 1994
- Increasing focus on premiumisation of mid-end to high-end products

### 4 The 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 last 10 years, including the HK\$6.6bn acquisition of Kingway in 2013

### 5 Consistent and Proven Management Leadership

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

### 6 Proposed full ownership with faster response

- 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 Euromonitor International

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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

<b>High end on-trade channel</b>	<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>
<b>Other on-trade channel and traditional retail channel</b>	<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>
<b>Modern retail channel</b>	<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 team</b> coordinate negotiations with regional retailers and provide comprehensive sales support and monitor performance</li> </ul>
<b>E-commerce channel</b>	<ul style="list-style-type: none"> <li>□ Sales on <b>e-commerce platforms</b> such as Yihaodian, JD.com</li> <li>□ Flagship stores on platforms such as T-mall, Haigou.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> <li>□ <b>Flat distribution model</b> through careful and finer division of regional markets</li> <li>□ Utilize <b>secondary distributors</b> to supply to rural areas</li> </ul>
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Regional markets in smaller towns and rural areas



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

## ▪ Future growth strategy

1

### **Further penetrate high-end on-trade and modern retail channels well suited for premium brands**

- 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 and improve efficiencies
  - Ongoing evaluation of acquisition targets that can help strengthen regional presence

3

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

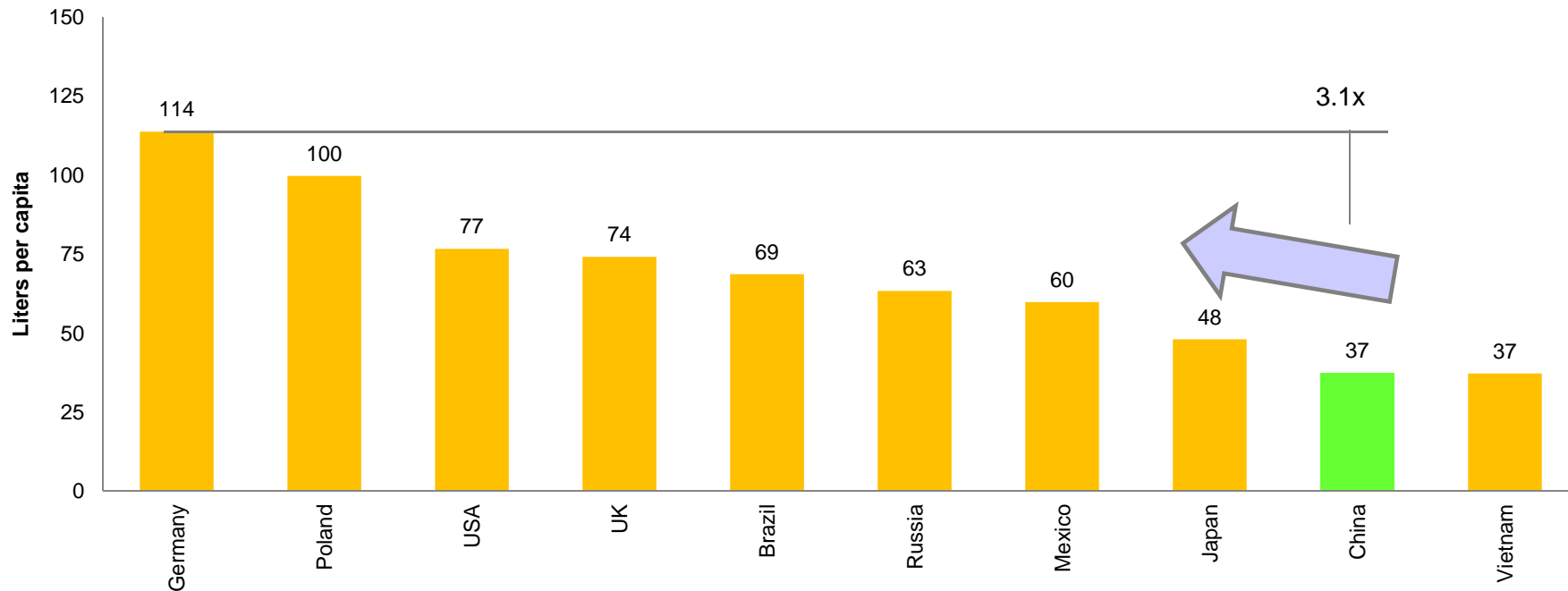
- Continue to improve the acquired breweries to CR Snow's best-in-class operating standards



## Appendix I – Global beer consumption summary

Long term potential on market volume growth (32% of Germany only)

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



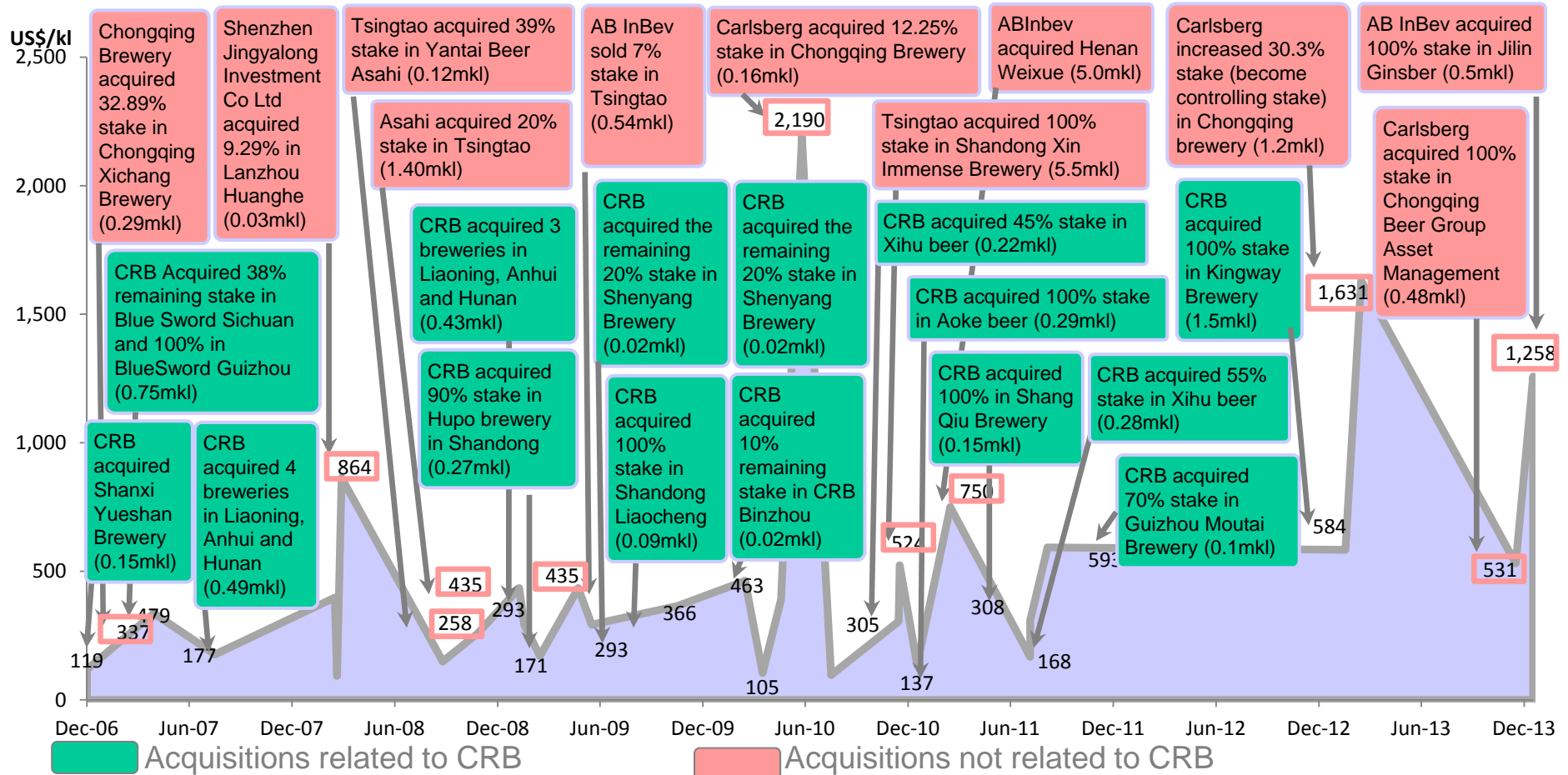
Source: Euromonitor International

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

## Strong bargaining power and lower acquisition cost on M&A



No major M&As from Dec 2013 till Jun 2016. (The acquisition of 49% stake in CRSB from ABI is subject to the completion of global deal of ABI and SABMiller)

Source: Deutsche bank and Company data

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## Appendix III – CRE awards (Cont'd)

### ■ Highlights of accolades received

- 2011-2015    Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award by *CAPITAL and CAPITAL Weekly*
- 2011        Received 2 best awards for investor relations and investor relations officer and 4 awards of ranked second in 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 by *Asiamoney*
- 2010-2015    Selected as one of the companies with "Global Chinese Business 1000 – Outstanding Performance Award" by *Yazhou Zhoukan*
- 2012/2013/2016    Received Best IR Companies (Both Buy (2013) and Sell Side (2012/2013) – Consumer), Best CEO (Sell Side – Consumer staple) in 2013/2016, ranked second (Sell Side – Consumer staple) in 2012, ranked second (Buy side – Consumer staple) in 2016, Best CFO (Sell Side – Consumer), Best CFO (Buy side) in 2016, Best Investor Relations Professional (Both Buy and Sell Side – Consumer Staple) in 2012/2013, ranked second in 2016, also ranked second (Sell Side – Consumer) in 2013, Best Investor Relations Program (Both Buy side and Sell side – Consumer staple) in 2016, Best Analyst Days (Consumer staple) in 2016, Best Website (Consumer Staple) in 2016 in The All-Asia Executive Team Survey by *Institutional Investor*
- 2012-2015    Awarded as Class of 2012/2013 - The Best of Asia (China), Asian Corporate Director (China) – Mr. Chen Lang in 2013, 2015, Asia's icon on Corporate Governance in Corporate Governance Asia Recognition Awards by *Corporate Governance Asia*
- 2013/2014    Ranked 71<sup>th</sup>(2014) and 93<sup>th</sup>(2014) in Top 250 Global Retailers, 18<sup>th</sup>(2014) from 50 fastest-growing retailer from *Deloitte*                      "*Courageous & Innovative*"





## Appendix III – CRE awards (Cont'd)

### ■ Highlights of accolades received

- 2012-2015 Received Outstanding Corporate Social Responsibility Award by *The Mirror Monthly Magazine*
- 2013/2014 Frank Lai was selected as Asian Company Secretary of the Year by *Corporate Governance Asia*
- 2013/2014 Received award as the Winner of Global Top Mid-Cap (2013) and ranked 19<sup>th</sup> in Global Top 50 Gold (2013), Global Top 50 Silver (2014) in *IR Magazine*
- 2013-2015 Received award for Outstanding Listed Company of the Year by *the Hong Kong Institute of Financial Analysts and Professional Commentators Limited*
- 2014 Ranked 3<sup>th</sup> in Top 5 Best Employers (Retail – Department Stores Industry) from *ChinaHR.com*
- 2014/2015 Received Gold award in Consumer –Food/Beverages/Tobacco category (2014/2015); Retailing – Multi-line Retail category (Gold in 2014, Silver in 2015); and Silver award from Retailing – Food and Specialty category (2014/2015) in Vision Awards Annual Report Competition from *League of American Communications Professionals LLC*
- 2014/2015 Received Silver award in Annual reports overall presentation – Food and Consumer Packaged Goods (2014), Department store (2015); Bronze award in Annual Reports overall presentation – Retail (Other and General) (2014), Consumer Goods (2015) and Honors award in Annual Report Covers (Special Treatment) from *MerComm, Inc.*
- 2014 Received The Most Promising Employer in China Best Employer Award from *Zhaopin.com*
- 2014 Ranked 5<sup>th</sup> in the Top 10 Happiest Companies from *China Business Journal*
- 2015/2016 Received Best IR company – Mid Cap (2015/2016) and Best IRO – Mid Cap (2015). Best IR presentation Collaterals – Mid Cap (2016) from HKIRA Investor Relations Awards by *HKIRA*

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