



China Modern Dairy Holdings Ltd.
中國現代牧業控股有限公司
Stock Code 股份代號：1117

2021 ANNUAL RESULTS



连续八年荣获世界食品品质评鉴大会

— 金奖 —

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01

Financial Results

2021 Annual Results Review



RMB Million	2021	2020	Change
Revenue	7,078	6,020	+18%
Including: Revenue of Raw Milk Business	7,005	6,020	+16%
Gross Profit	2,549	2,459	+4%
Gross Profit Margin (%)	36.0	40.8	-4.8 ppt
Cash EBITDA⁽¹⁾	2,434	2,265	+7%
Cash EBITDA Margin (%)	34.4	37.6	-3.2 ppt
Net Profit	1,033	784	+32%
Earnings per share (cents)	14.43	12.07	+20%

Revenue
YoY Growth
18%



EPS
YoY Growth
20%



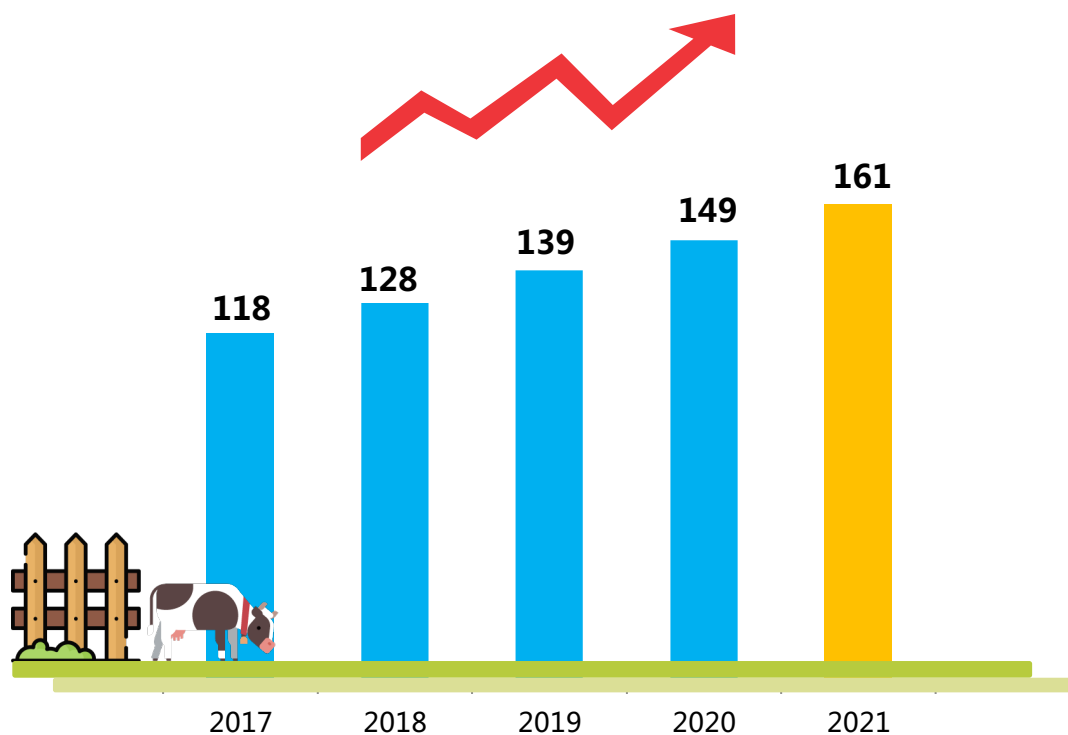
Net Profit
YoY Growth
32%

(1) Cash EBITDA is defined as profit/(loss) before finance costs and tax having added back: i) depreciation for property, plant and equipment and right-of-use assets charged to profit or loss, ii) amortization, iii) impairment losses, net of reversal, iv) other gains and losses, net, v) loss arising from changes in fair value less costs to sell of dairy cows.

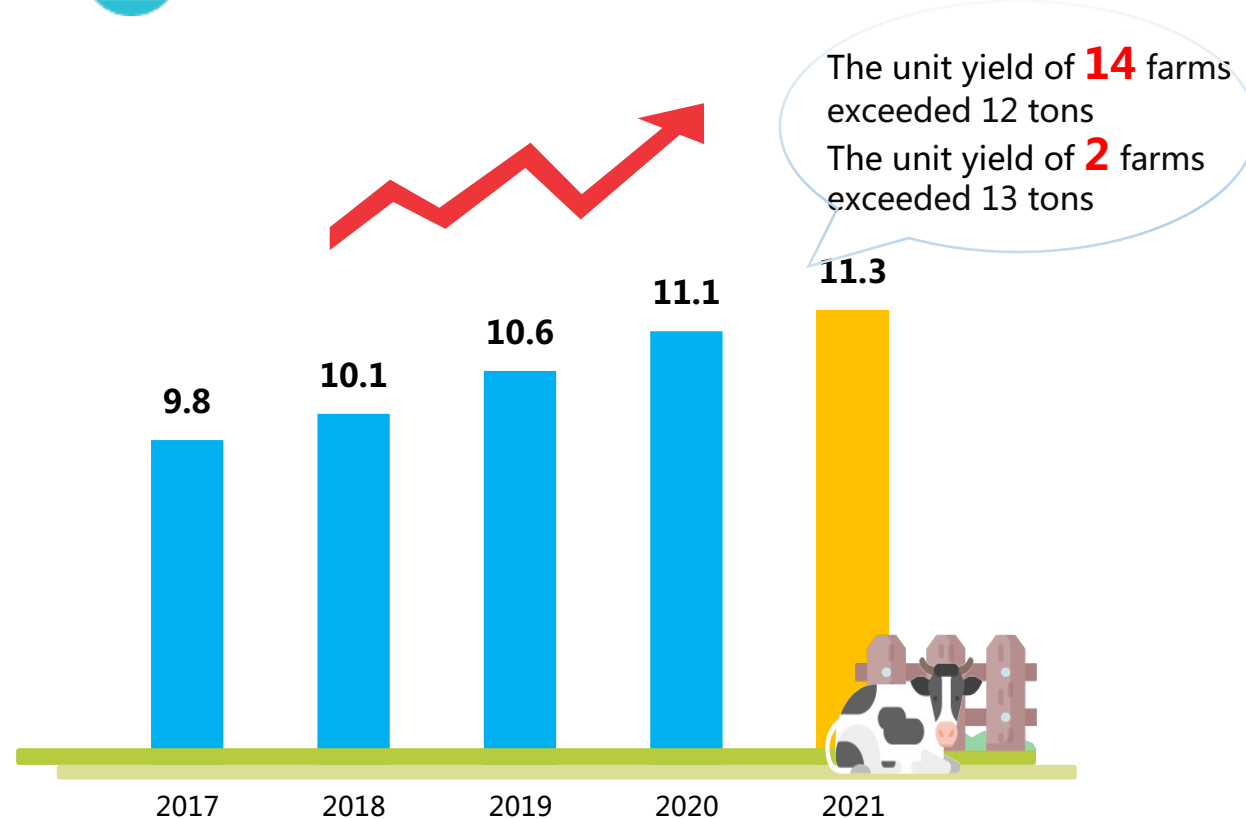
Steady Increase of Production Volume



Production Volume (0'000 tons)



Unit Yield per Milkable Cow (tons/head/year)

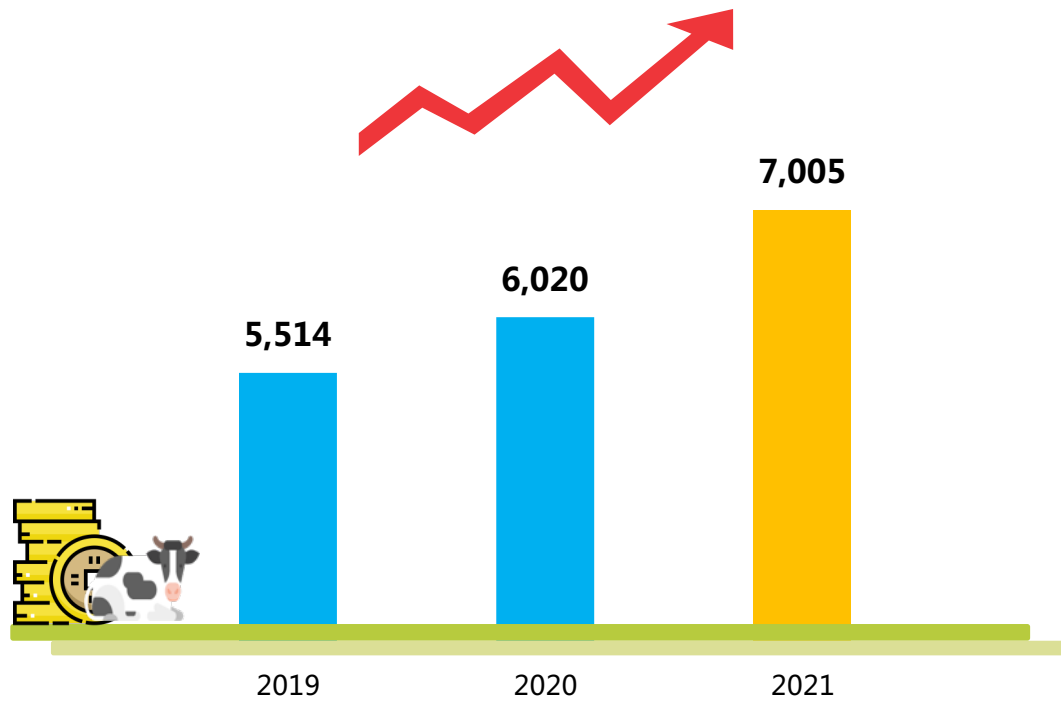


Steady Increase of Sales and Gross Profit



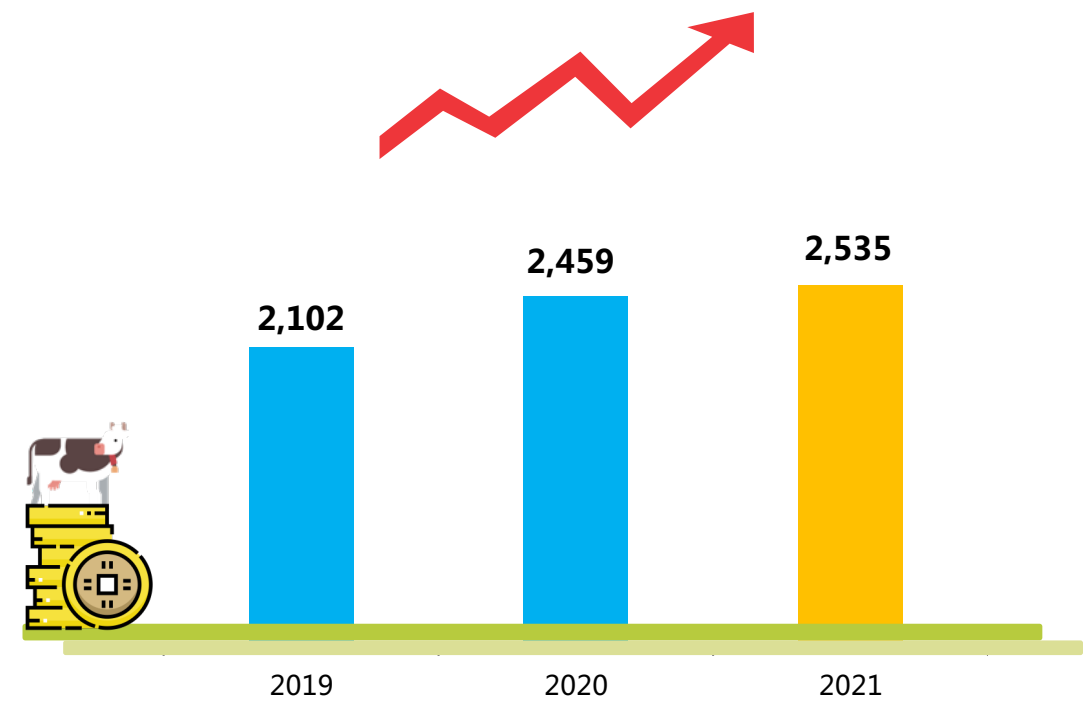
 Raw Milk Sales (million)

CAGR: 13%



 Raw Milk Gross Profit (million)

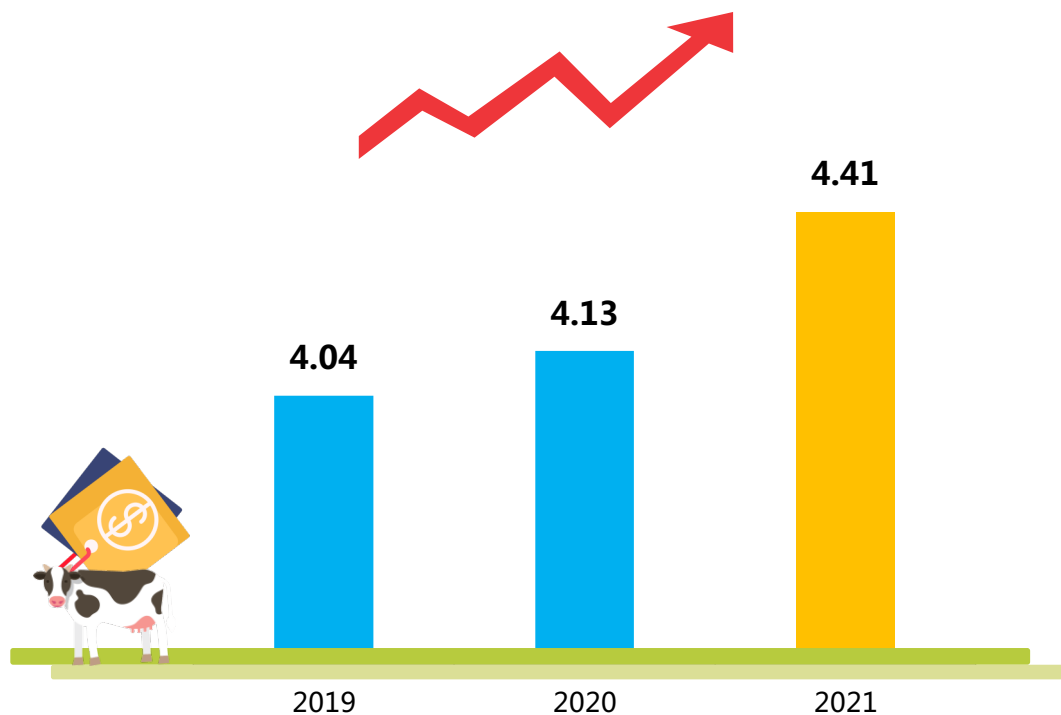
CAGR: 10%



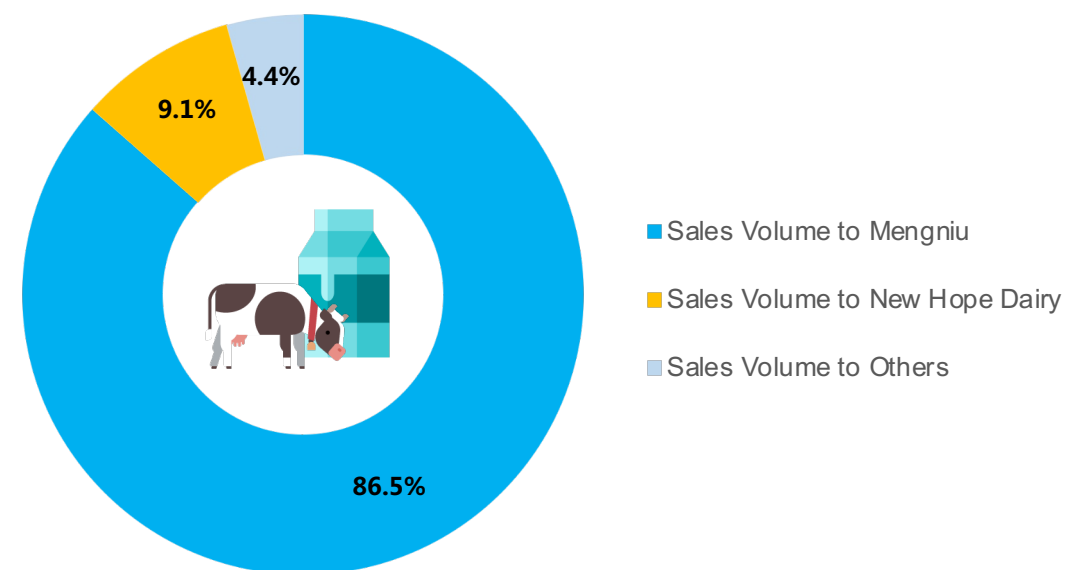
ASP and Sales Volume Breakdown



Average Selling Price (yuan/kg)



Sales Volume Breakdown

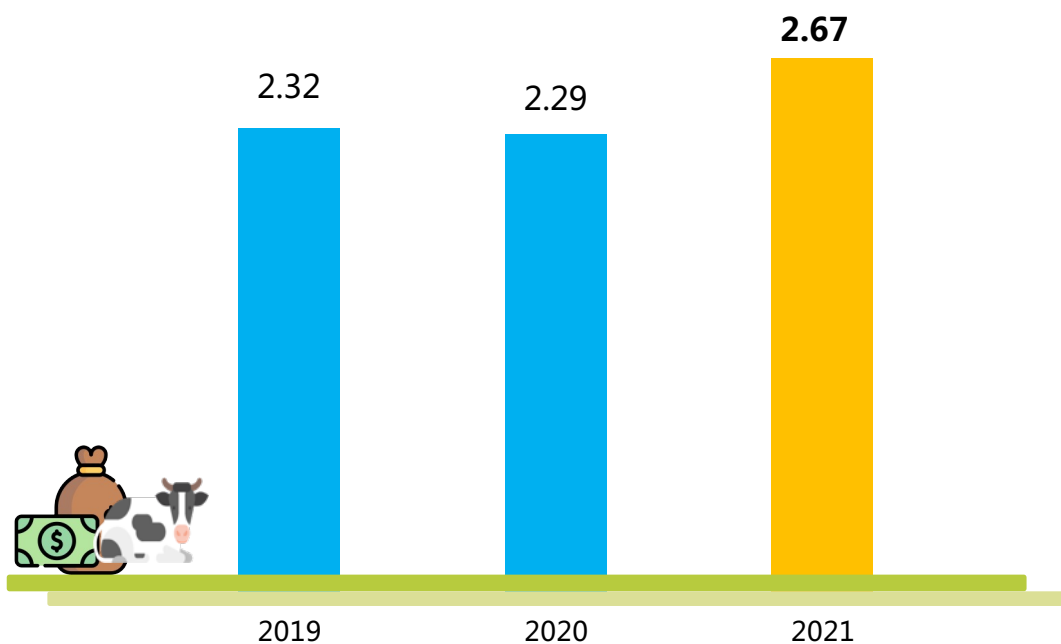


- ▶ Continue to implement long-term sales strategy with Mengniu and New Hope Dairy;
- ▶ Proactively expand third-party sales and establish core customer base.

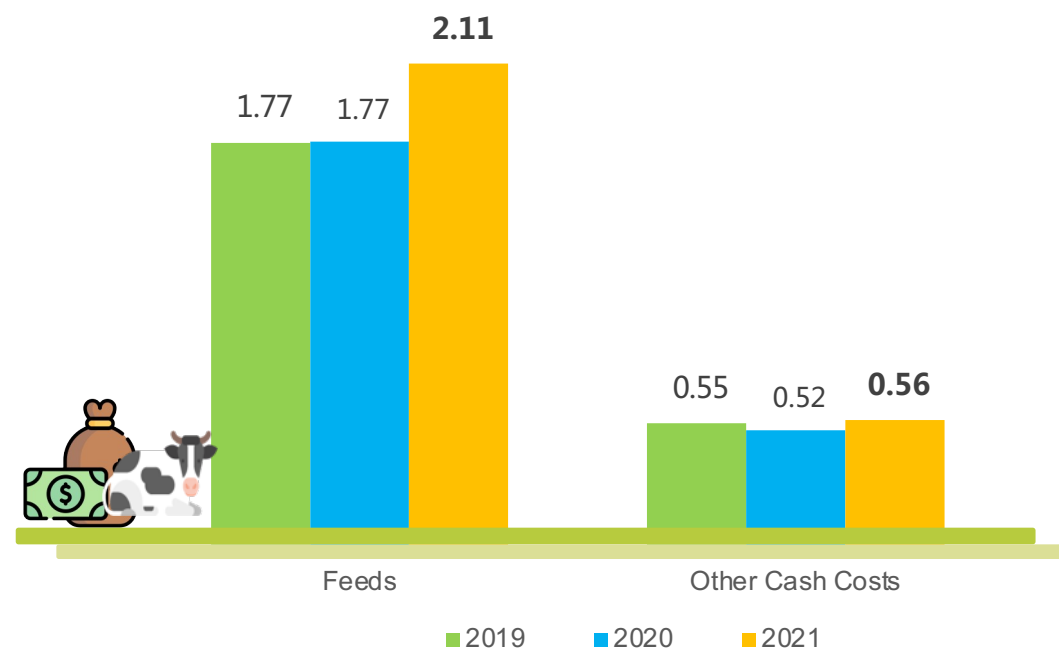
Cash Cost



Cash Cost (yuan/kg)



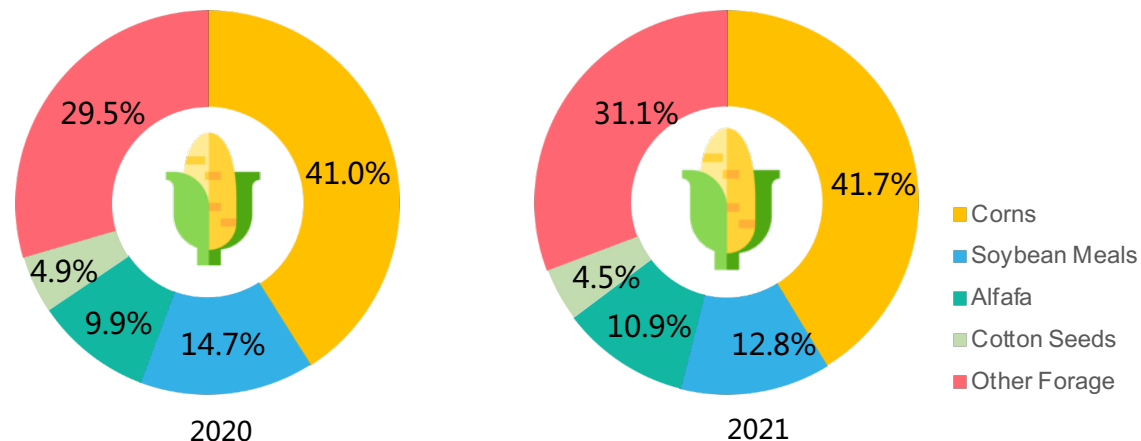
Cash Cost Breakdown (yuan/kg)



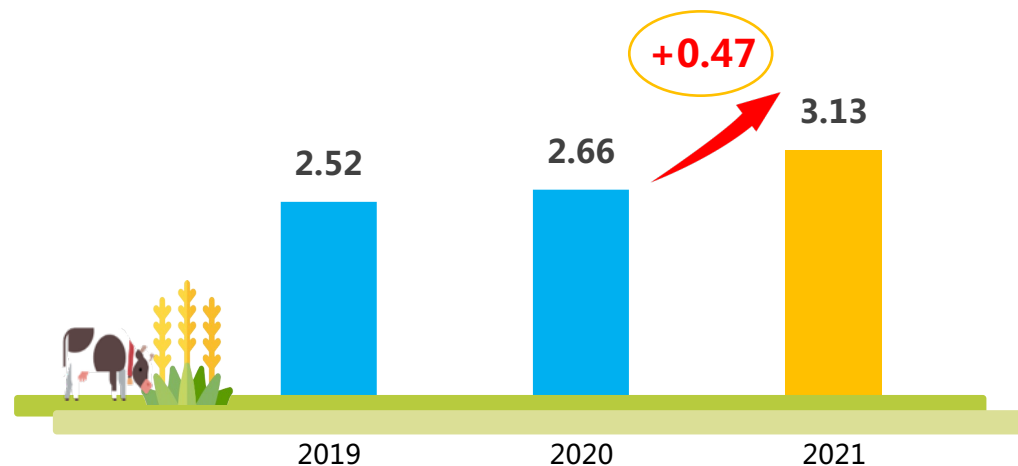
Feed Cost per Kilogram of Milk



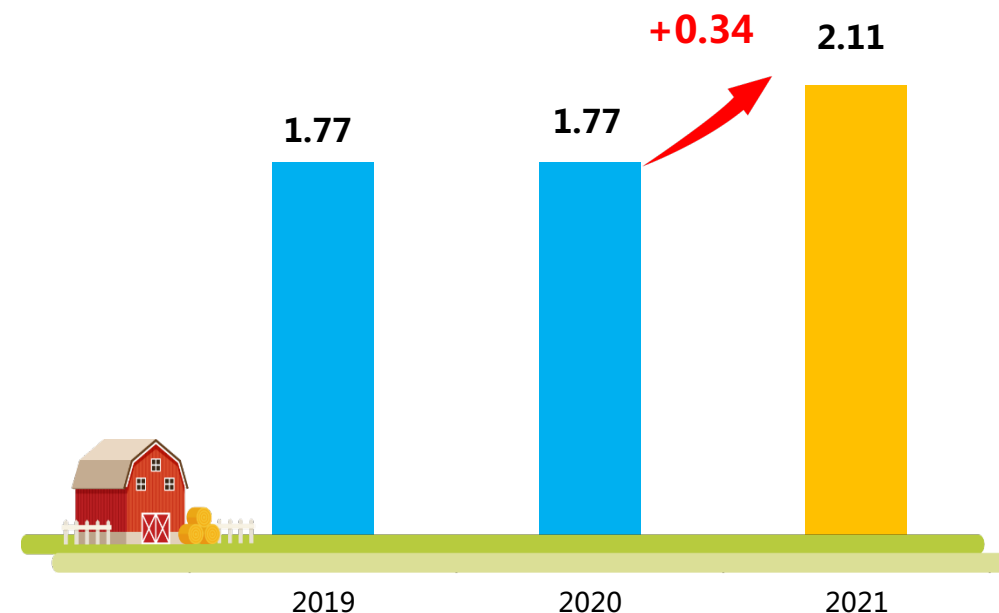
Cost Proportion of Main Forage



Main Forage Procurement Price (yuan/kg of feed)



Feed Cost (yuan/kg of milk)

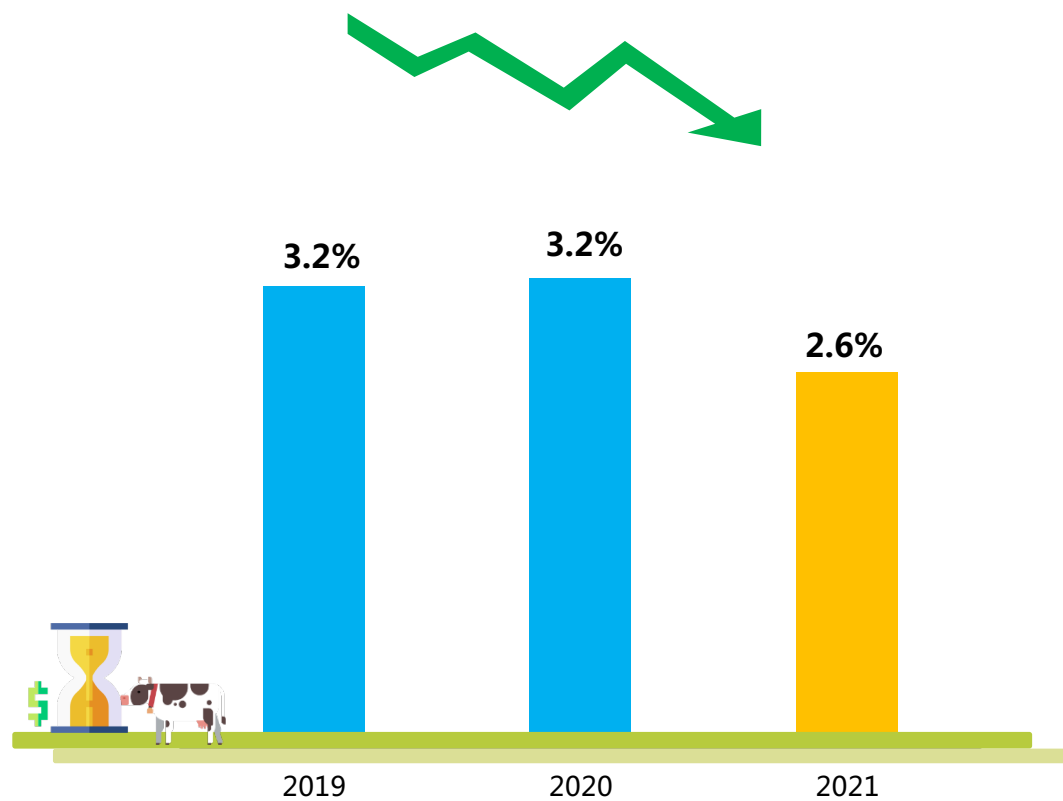


- The Group continued to lower the impact of increased feed costs through measures such as improving the health of cows, optimizing the structure of feed formulas, increasing the absorption and conversion rate of cows, and increasing the unit yield per milkable cow.

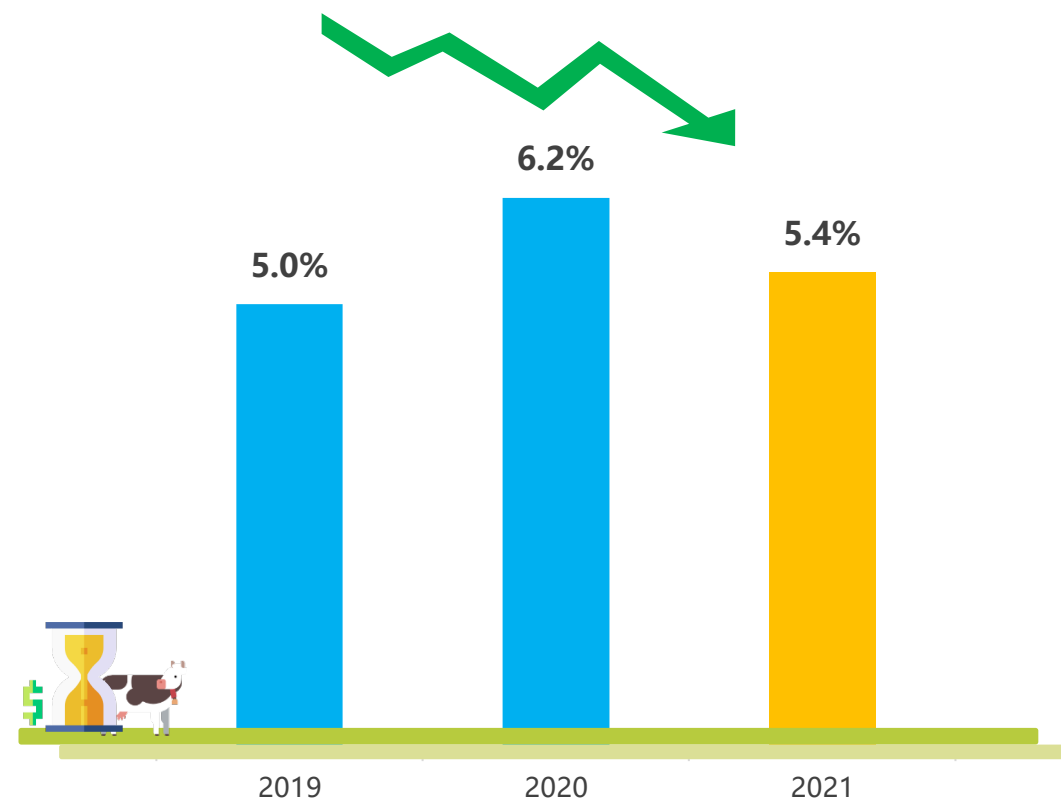
SG&A Ratio



Ratio of Selling and Distribution Costs⁽¹⁾



Ratio of Administrative Expenses⁽²⁾



Notes:

(1) Ratio of selling and distribution costs = selling and distribution costs/revenue

(2) Ratio of administrative expenses = administrative expenses/revenue

Balance Sheet Overview



RMB Million	2021	2020	Change
Biological Assets	9,405	7,101	+32.4%
Fixed Assets	5,313	3,318	+60.1%
Total Assets	23,674	15,568	+52.1%
Total Liabilities	12,559	7,530	+66.8%
Total Equity	11,115	8,038	+38.3%
Net Asset Value per Share ⁽¹⁾ (RMB yuan)	1.37	1.22	+12.3%
Total Interest-bearing Borrowings	8,495	5,642	+50.6%
Net Interest-bearing Borrowings⁽²⁾	6,236	4,291	+45.3%
Net Interest-bearing Debt Ratio ⁽³⁾ (%)	35.9	34.8	+1.1 ppt
Debt-to-asset Ratio ⁽⁴⁾ (%)	53.1	48.4	+4.7 ppt

Notes:

(1) Net Asset Value per Share = Equity Attributable to Owners of the Company/ Year-end Number of Shares Outstanding;

(2) Net Interest-bearing Borrowings = Total Interest-bearing Borrowings – Cash and bank deposits

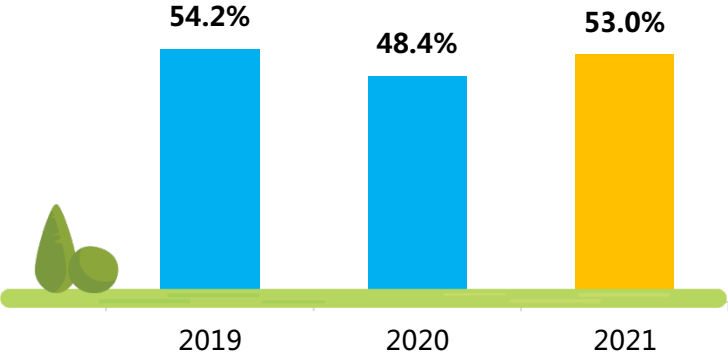
(3) Net Interest-bearing Debt Ratio = Net Interest-bearing Borrowings / (Net Interest-bearing Borrowings + Equity)

(4) Debt-to-asset Ratio = Total Liabilities/Total Assets

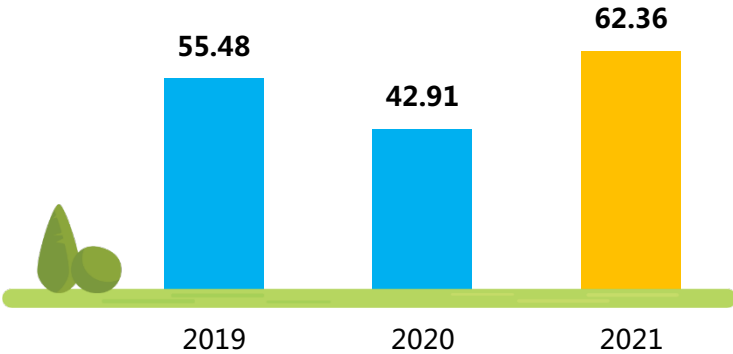
Financial Leverage Maintained Reasonable and Stable



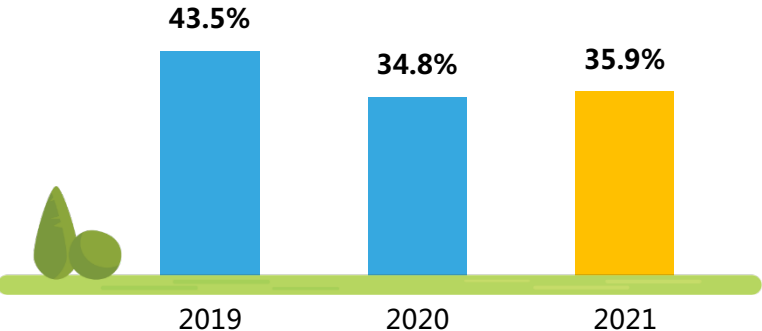
Debt-to-asset Ratio (%)



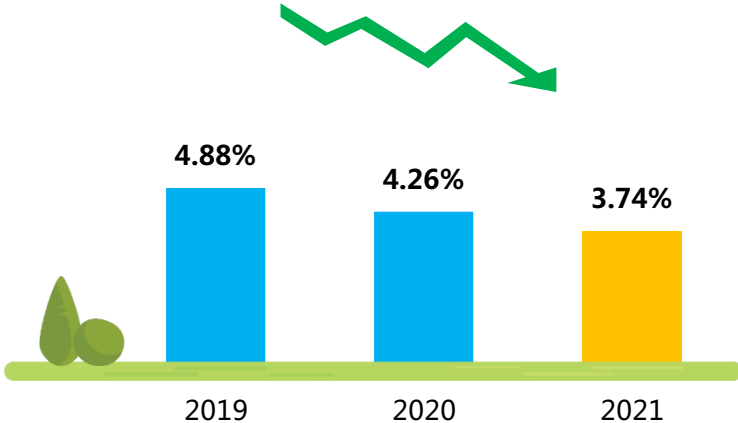
Net Interest-bearing Debts (00 million yuan)



Net Interest-bearing Debt Ratio (%)



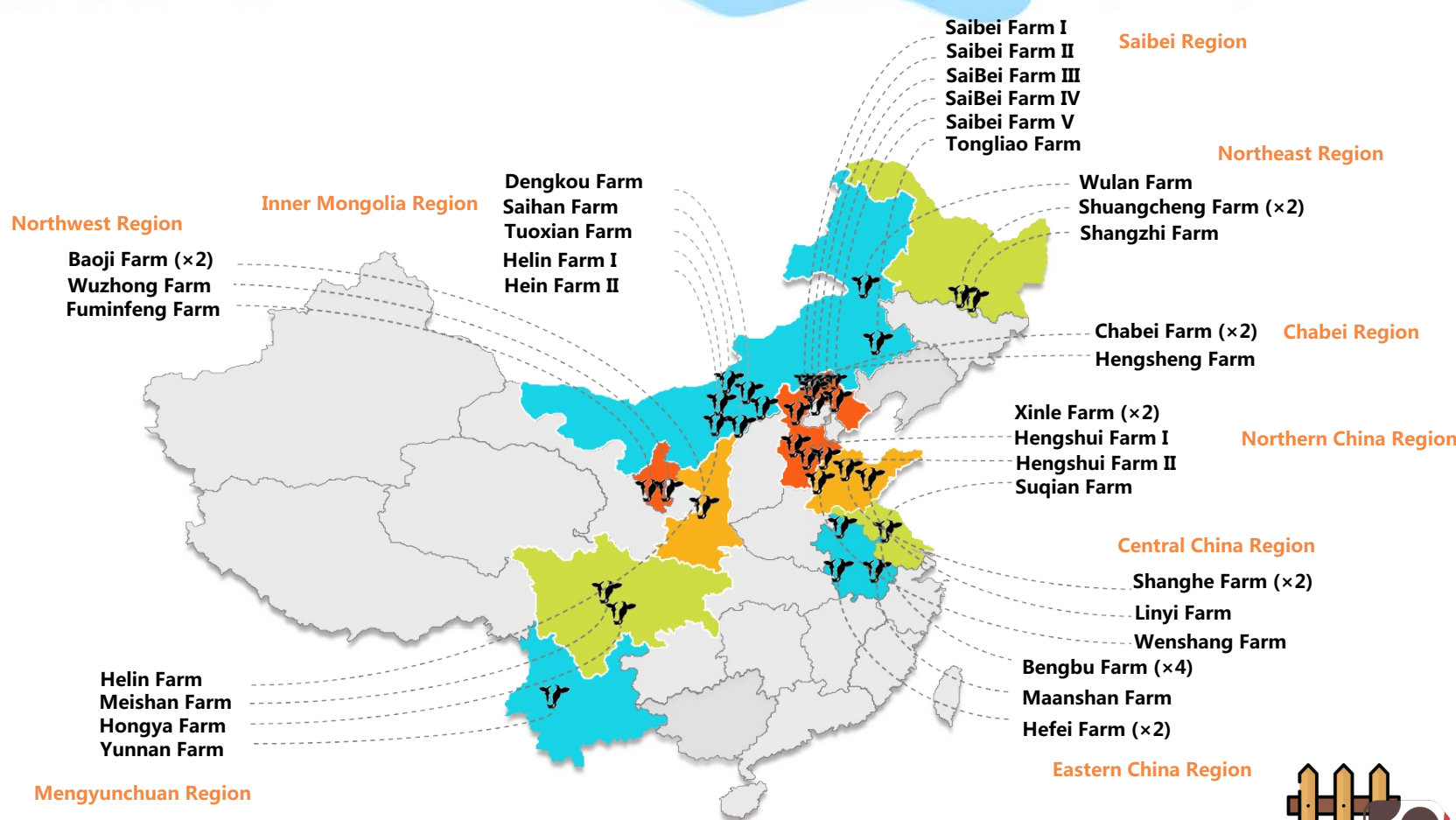
Finance Rate (%)





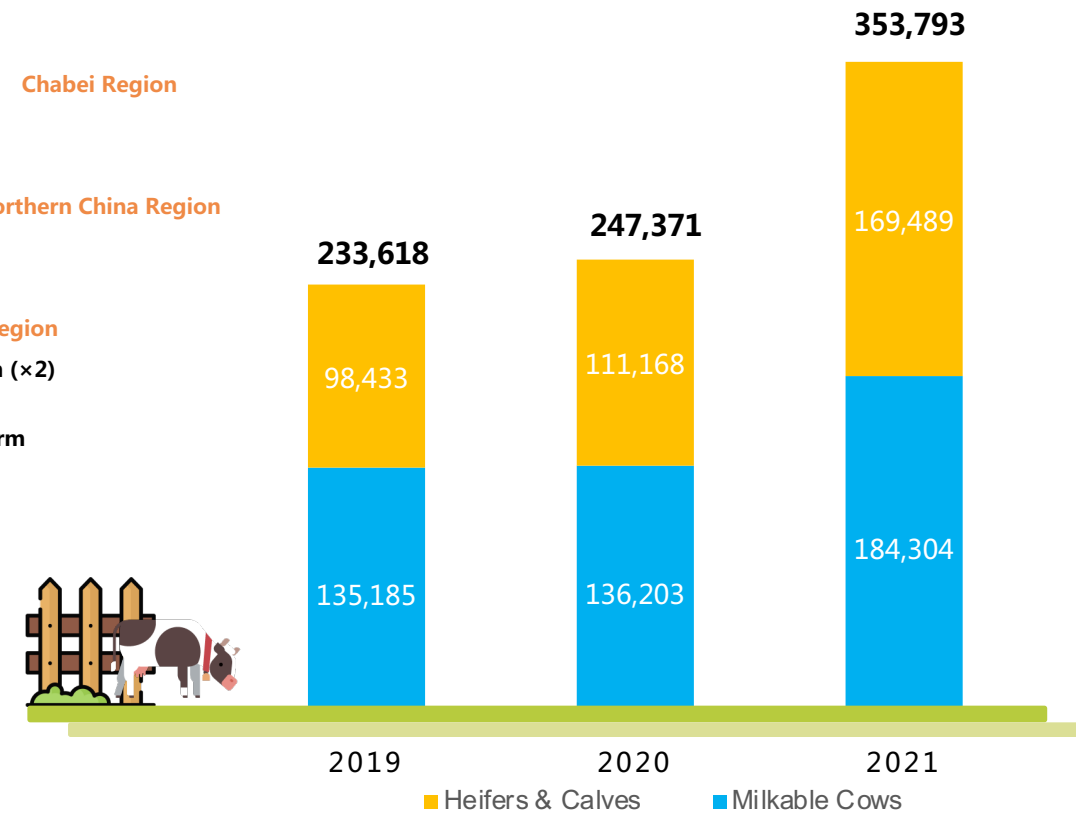
02 Business Updates

Farm Map and Herd Size



Herd size (head)

CAGR: **23%**



As of 31 December 2021, the Group had invested and established 33 dairy farming companies in PRC, and the herd size exceeded 350 thousand heads.

Breakthrough in Overseas Rating and Improvement in Financing Structure



Breakthrough in Overseas Rating

- ✓ In July 2021, the Company was assigned BBB investment rating by Standard & Poor's, becoming the first dairy farming enterprise in the world to obtain the international credit rating of investment grade.

- ✓ Successfully grasped the exchange rate trend and locked in the foreign exchange of all USD bonds in October 2021, which saves about 35 million finance costs in five years.

Seize the Opportunity to Lock in Exchange Rates

S&P Global
China Ratings
BBB

Successful Issuance of USD Bonds

- ✓ Efficiently completed the initial issuance of US\$500 million bonds and obtained 4.2 times oversubscription. With the coupon rate as low as 2.125%, the issuance saves the interest cost 258 million yuan in five years.

- ✓ The debt maturity structure of the Company has been significantly improved, **and the proportion of long-term debt has increased to 66%**, greatly reducing the liquidity risk.

Improve Financing Structure



Branded Milk: Good Milk from Good Cows



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Brand Positioning: Deploy the entire product line based on the philosophy of “Good Milk from Good Cows”.

Full Product Mix Development:

Sales of the branded milk increased by more than **22%** to **RMB 1.5 billion**;

The share of results of associates increased by **17% YoY** to **RMB 36 million**;

Sales of the three major products contributed over **60%**;

Sales of the new Holstein products exceeded **100 million yuan** in just a half year after its launch;

A2 series products, launched in December, target medium-to-high-end milk market.

Client Cultivation: The number of franchise partners and sales they brought accounted for over **65%**;

Channel Expansion: **225** new branded milk customers; and **35,000** new outlets, indicating an accelerated channel penetration



Gold awards for 2 consecutive years 2020-2021



Gold awards for 8 consecutive years 2014-2021



Gold awards for 3 consecutive years 2019-2021

Strategic Initiatives: Building a First-Class Whole Industrial Chain Model



Be a global leader in the dairy farming industry
by laying out the industrial chain and implementing digital and innovation



1 vision

6 major industrial chains layout

Several initiatives

4 Major Guarantees



03 Industry Review

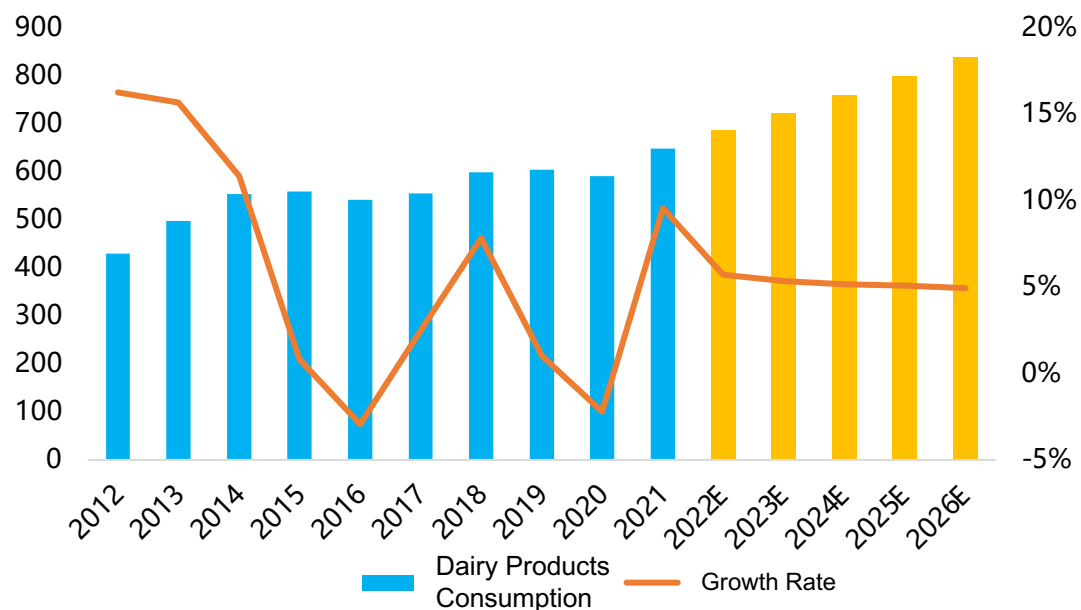
Analysis of Global and Domestic Dairy Industry



Domestic Dairy Products Consumption and Growth Rate

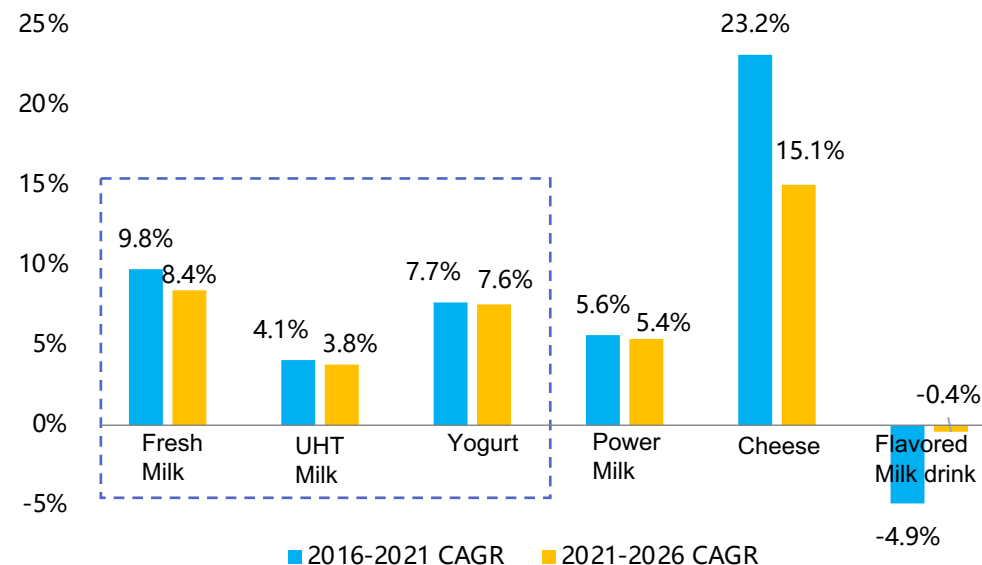
(US\$100 million)

Source: Euromonitor



Growth Rate of Domestic Dairy Products Consumption

Source: Euromonitor



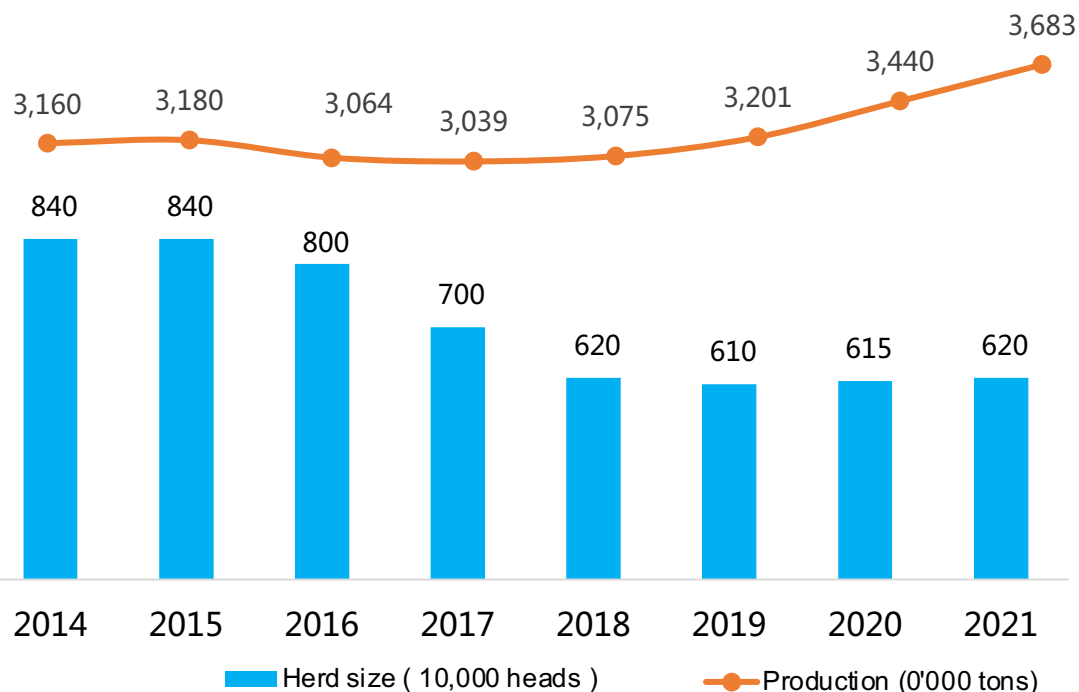
- The consumption growth rate of domestic dairy products will remain above 5% in the next five years. The two largest downstream dairy companies are quickly seizing market shares.
- In the future, the growth of liquid milk will be more driven by high-end products that made from liquid milk, including low-temperature fresh milk, UHT milk and high-end yogurt. In order to improve the quality of dairy products, dairy companies may also consider using raw milk to produce infant formula and cheese.

Analysis of Global and Domestic Dairy Industry



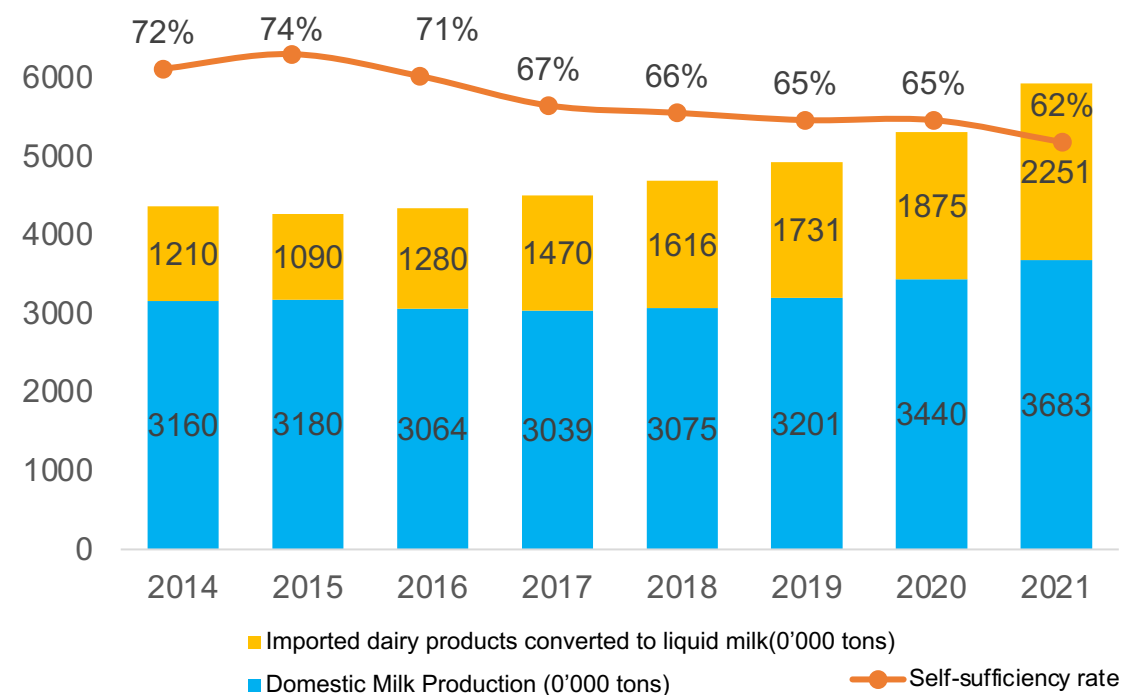
Domestic Milk Production

Source: National Bureau of Statistics, USDA



Domestic Milk Self-sufficiency Rate

Source: National Bureau of Statistics, China Customs



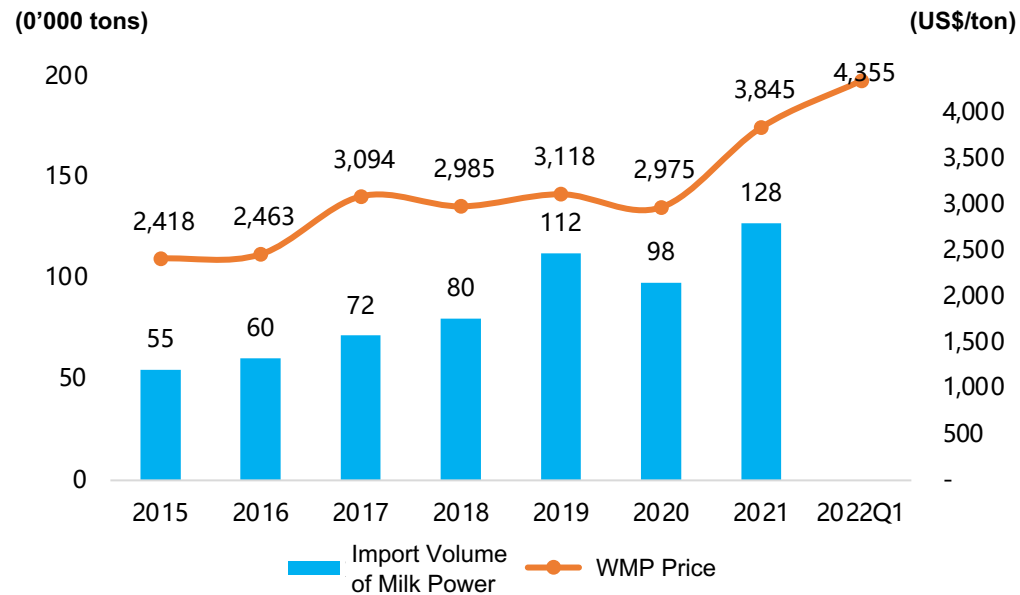
- In 2021, the herd size and the production grow simultaneously. The production of raw milk increased by 7.1% compared to 2020, and the production growth rate is greater than 7% for two consecutive years.
- Since 2008, the self-sufficiency rate of China's dairy industry has continued to decline from 95%, which has long been lower than the country's original goal of maintaining a milk self-sufficiency rate of more than 70% in 2020. The self-sufficiency rate in 2021 has declined to 62%.

Analysis of Global and Domestic Dairy Industry



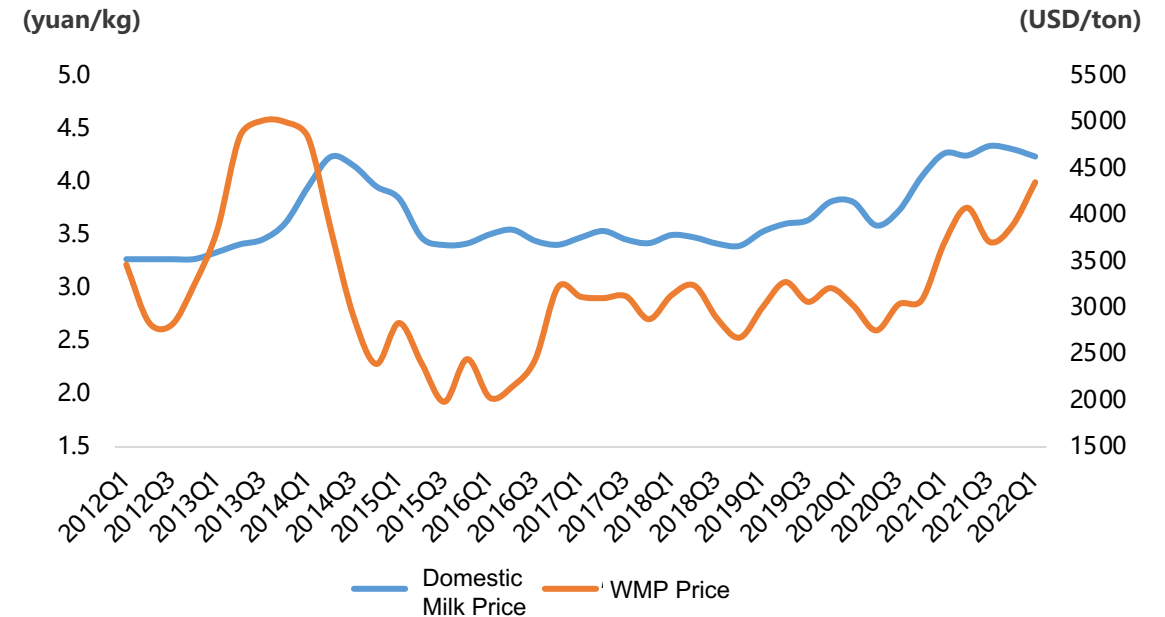
Import Volume of Milk Power & WMP Price

Source: China Customs, Fonterra



Domestic Milk Price

Source: Ministry of Agriculture, Fonterra



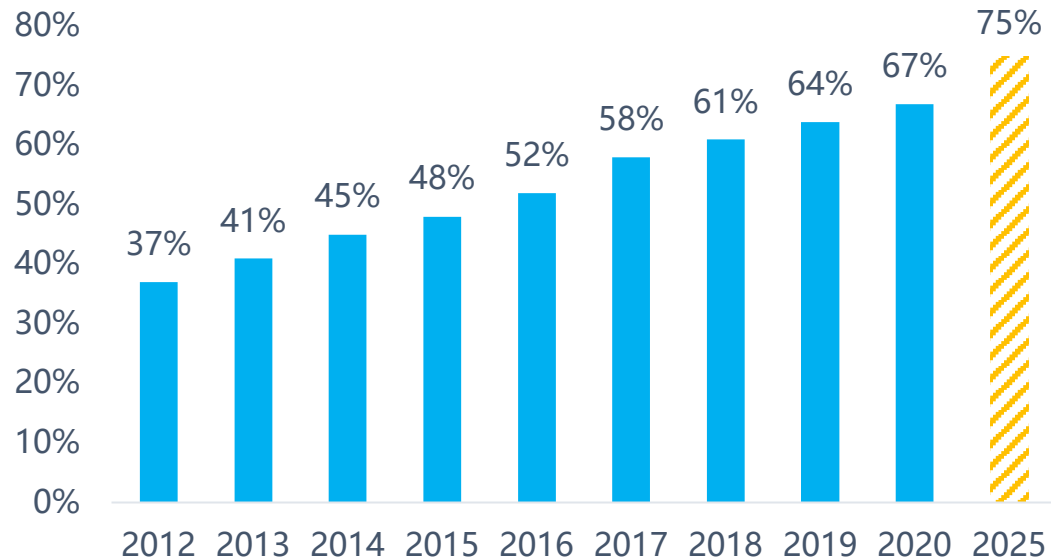
- In 2021, due to the strong demand for domestic raw milk, less milk was converted to milk power and the import volume of milk powder broke a new high. With the production of raw milk in New Zealand declining, the international milk powder price soared due to strong demand and undersupply;
- In 2021, the domestic milk price broke through the historical high in 2014, and the milk price was stable at a high level.

Analysis of Global and Domestic Dairy Industry



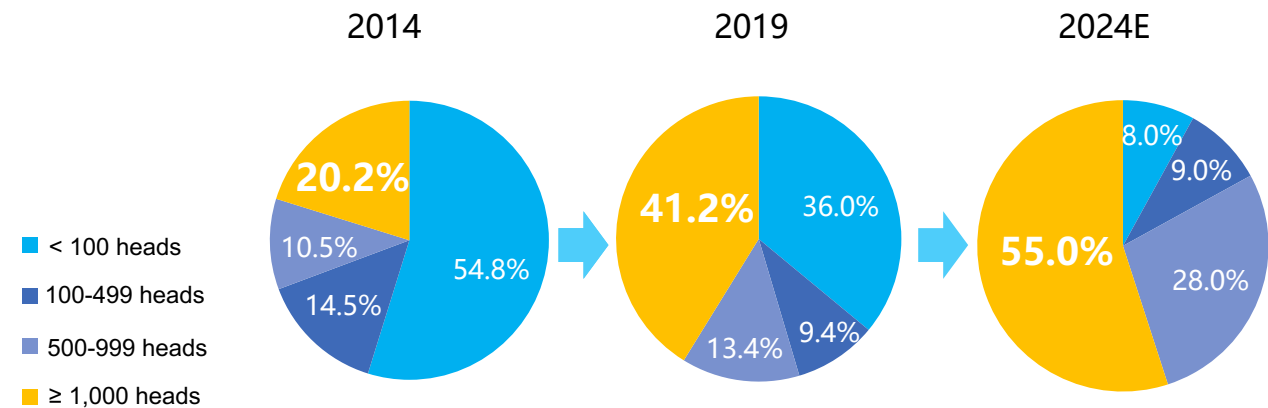
Proportion of Domestic Scaled Farms

Source: National Bureau of Statistics, Frost & Sullivan



Proportion of Farms with Herd Size over 1,000 heads Increases Year by Year

Source: National Bureau of Statistics, Frost & Sullivan



- The Ministry of Agriculture issued the “Action Plan for Improving the Competitiveness of the Dairy Industry under 14th Five-Year Plan”, pointing out that by 2025, the proportion of scaled farms (with herd size over 100 heads each) reached about 75%.
- The proportion of domestic scaled farms with herd size over 1,000 heads each is gradually increasing and is estimated to take up 55% of total herd size in China for 2024.



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