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CBG 010/2564

14 May 2021

Subject Management discussions and analysis for the 3-month period ended 31 March 2021

To Directors and Manager
The Stock Exchange of Thailand

We, Carabao Group Public Company Limited (the "Company" or "CBG"), are pleased to submit management discussions and analysis regarding consolidated financial performance and position of the Company and subsidiaries (the "Company") for the 3-month period ended 31 March 2021 as follows:

Overall and Major events in 1Q/2021 to present

1. The 2nd wave of COVID-19 began in mid-December 2020, hence a lockdown measurement occurs in vulnerable areas like Samut Sakhon until the end of January. The outbreak of the 2nd wave of COVID-19 did not affect the Company's domestic sales much because the domestic sales in 1Q/2021 were able to grow from 1Q/2020.
2. Coup in Myanmar began on February 1, 2021 causing unrest in the country especially in major cities. So, the sales volume of energy drinks to Myanmar decreased in the early stages. However, the Company has applied new strategies by focusing on secondary cities instead, resulting in a better sales volume.
3. The 3rd wave of COVID-19 began in mid-April 2021 after Songkran day. The government has announced the highest control areas in several provinces, but they did not announce the closure of the shopping mall. The Company have some measurements to help limiting the risk by allowing employees in the headquarters to work from home 100%, while the factories have strict control measures to prevent employees from COVID-19.
4. The Company acquired 26% shareholding stake of Asia Can Manufacturing Company Limited ("ACM") from Showa Denko Group on March 1, 2021. Consequently, the Company's shareholding in ACM increased to 100% and the management team estimates that profit attributable to equity holders of the Company will be increased by THB 60-70 million, compared to 2020.
5. Asia Packaging Manufacturing company limited ("APM") engaged in the manufacture and distribution of packaging such as film, carton box and label. It has finished installing machines in March and will start commercial operation in 2Q/2021 which is delay because of the COVID-19.
6. Launch Woody C+ Lock collagen mixed berry. On April 19, 2021, the Company has launched new flavor of functional drink, Woody C+ Lock collagen mixed berry, which is the first drink in Thailand with 2,000 milligrams of collagen along with 200% vitamin C content. The first flavor was lemon launched in March 2020 and the second was orange flavor launched in June 2020. The Company expects this new flavor will attract consumers in the beauty and health market and help increase the market share in functional drink.



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7. Myanmar has imposed a ban on 5 Thai drinking products sent by land beginning on May 1, 2021. Those products are all beverage such as soft drinks, energy drinks, etc., coffee and tea, ready-to-drink coffee, sweetened milk, and fresh milk. However, these products can be exported via ship to Myanmar, resulting in a longer delivery time from less 1 week to 2 weeks. Therefore, orders were rushed in April before Myanmar imposing the ban because domestic demand increase after the COVID situation improved and after the coup for 3 months.
8. Lockdown in Cambodia from COVID. The sales volume has improved after the decrease because of the massive flood in Cambodia in October 2020. However, there was a 3rd wave of COVID-19 in Cambodia in February, then a lockdown has occure in many main cities. And it just relaxes the lockdown in early May. The Company expects the demand will increase after the relaxation.
9. The energy drink market in 1Q/2021 contracted by 5.6% from 1Q/2020 in terms of volume. Carabao Dang energy drink remained the 2nd largest brand, commanding 21% volume share.
10. The functional drink market in 1Q/2021 contracted by 7.8% from 1Q/2020 in terms of volume. Woody C+ Lock remained the 2nd largest brand, commanding 9% volume share which increased from 8.1% in 4Q/2020.

Consolidated financial performance of the Group for the 3-month period ended 31 March 2020 in comparison with the corresponding period last year ended 31 March 2019

1. Revenue from sales

Total revenue from sales in 1Q/2021 were THB 4,030 million, an decrease of 0.7% from 1Q/2020 due mainly to lower sales of the energy drinks to overseas markets.

Revenue from sales by product group Unit: THB million	1Q/2020	% to total	4Q/2020	% to total	1Q/2021	% to total	%YoY	%QoQ
Branded products by own manufacture 1/	3,414	84%	3,338	78%	3,150	78%	-7.7%	-5.6%
Branded products by 3rd party's manufacture 2/	119	3%	102	2%	111	3%	-6.8%	9.0%
3rd party's products for distribution	475	12%	727	17%	706	18%	48.6%	-2.9%
Others	53	1%	90	2%	63	2%	18.8%	-29.4%
Total	4,061	100%	4,257	100%	4,030	100%	-0.7%	-5.3%

Note: 1/ Energy Drinks, Sport Drinks, and Functional Drinks

2/ Drinking Water, 3-in-1 Coffee and RTD Coffee

Revenue from sales by geography Unit: THB million	1Q/2020	% to total	4Q/2020	% to total	1Q/2021	% to total	%YoY	%QoQ
Domestic	1,905	47%	2,583	61%	2,223	55%	16.7%	-13.9%
Overseas	2,156	53%	1,674	39%	1,808	45%	-16.2%	8.0%
CLMV group	1,969	48%	1,450	34%	1,484	37%	-24.6%	2.4%
China	66	2%	29	1%	210	5%	220.3%	616.7%
ICUK	32	1%	21	0%	22	1%	-29.8%	7.3%
Others	90	2%	175	4%	91	2%	2.0%	-47.7%
Total	4,061	100%	4,257	100%	4,030	100%	-0.7%	-5.3%



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1.1) Sales of branded products by own manufacture in 1Q/2021 were THB 3,150 million, down 7.7% from 1Q/2020. The amount consisted of domestic and overseas sales at the proportion of approximately 43:57.

(1.1.1) The domestic sales were THB 1,343 million, an increase of 6.8%, driven by more sales of Woody C+ Lock and an increase in Carabao Dang energy drink sales of 4.1% from 1Q/2020.

(1.1.2) Overseas sales of energy drinks were THB 1,808 million, a decrease of 16.2% from 1Q/2020. The main overseas sales came from CLMV countries, accounting for 37% of total sales, China accounts for 5% of total sales and 3% from other countries, which are mainly from Yemen and Afghanistan.

Export sales to CLMV countries, an existing and large international business base for the Company yet growth potential lying in each individual country, decreased by 24.6% from 1Q/2020 due to the unrest in Myanmar since February and a lockdown in main cities of Cambodia owing an outbreak of COVID-19 resulting in lower sales volume. However, sales to Vietnam have nearly doubled from 1Q/2020 due to better control of the COVID-19 outbreak and the more established Carabao brand in the country.

China is another market with great potential for growth as it is the world's number 1 highest population, and it is the first country who can control the COVID-19 outbreak. The Company had a 220% increase in sales from export to China from Q1/2020.

Sales export to European countries through subsidiary, Intercarabao Company Limited ("ICUK"), decreased 19.8% from Q1/2020 due to sales promotion to boost brand recognition.

1.2) Sales of 3rd party products for distribution in 1Q/2021 were THB 706 million, increased by 48.6% from 1Q/2020, consecutively grew year-on-year for over two years driven by the variety and quality of the products distributed as well as cash van distribution system covering direct access to over 180,000 retail stores nationwide.

1.3) Sales of branded product by 3rd party's manufacture in 1Q/2021 were THB 111 million, a decrease of 6.8% from 1Q/2020 due mainly to a reduction in sales of Carabao RTD and 3-in-1 coffees in corresponding to the domestic consumption and economic slowdown hit by the spread out of COVID-19.

1.4) Other sales were THB 63 million, an increase by 18.8% from 1Q/2020, most of which are sales of bottles to 3rd party under the operation of Asia Pacific Glass Company Limited ("APG"), which not only generate incremental revenue to the Company but also reduce the production costs of bottles for the Company's energy drinks and the vitamin C drink owing to economies of scales.



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2. Gross profit and gross profit margin

Gross profit in 1Q/2021 was THB 1,555 million, decreased by 9.7% from 1Q/2020, representing gross profit margin of 38.6%, a decrease from 42.4% in 1Q/2020, due mainly to the lower sales and gross profit margin of the branded products by the Company's production, which is the core business contributing 78% of total sales.

Gross profits by product group Unit: THB million	1Q/2020	GPM	4Q/2020	GPM	1Q/2021	GPM	%YoY	%QoQ
Branded products by own manufacture 1/	1,650	48.3%	1,578	47.3%	1,473	46.7%	-10.7%	-6.6%
Branded products by 3rd party's manufacture 2/	15	12.7%	15	15.0%	15	13.8%	1.6%	0.5%
3rd party's products for distribution	37	7.9%	45	6.2%	42	6.0%	13.3%	-6.4%
Others	19	36.5%	33	37.3%	25	39.1%	27.2%	-26.0%
Total	1,722	42.4%	1,671	39.3%	1,555	38.6%	-9.7%	-7.0%

The gross profit margin of branded products by the Company's manufacture in 1Q/2021 was 46.7%, a decrease from 48.3% in 1Q/2020 due mainly to a decrease of the gross profit margin of overseas sales which resulted from lower overseas sales by 16.2% from 1Q/2020 and an increase of raw material price such as sugar and aluminum coil.

3. Selling, general and administrative (SG&A) expenses

Total selling and administrative expenses in 1Q/2021 were THB 726 million, a decrease by 0.1%, representing 18.0% of total sales, which is close to 1Q/2020 of 17.9%.

Selling and Administrative expenses Unit: THB million	1Q/2020	% to sales	4Q/2020	% to sales	1Q/2021	% to sales	%YoY	%QoQ
Selling expenses	499	12.3%	466	10.9%	474	11.8%	-5.1%	1.8%
Sponsorship fees	94	2.3%	51	1.2%	72	1.8%	-23.1%	42.0%
Selling without sponsorship fees	406	10.0%	415	9.7%	402	10.0%	-0.9%	-3.2%
Administrative expenses	228	5.6%	204	4.8%	252	6.3%	10.7%	23.7%
Total SG&A	727	17.9%	670	15.7%	726	18.0%	-0.1%	8.4%

Selling expenses were THB 474 million, a decrease by 5.1% from 1Q/2020, representing 11.8% of total sales, which decrease from 12.3% in 1Q/2020.

- (1) sponsorship fees to Chelsea Football Club Limited (CFC) and English Football League (EFL) totaling THB 72 million, a decrease by 23.1% from 1Q/2020 due to a special discount of GBP 1.1 million granted by EFL for the 2020/21 season sponsorship fee which was first recognized in 4Q/2020 and will continue to the end of seasons in 2Q/2021 in view of that the Coronavirus pandemic caused football matches to run socially distanced and no attendance at matches allowed for the health safety.
- (2) selling expenses (exclude of the sponsorship fees to international footballs) were THB 402 million, a decrease by 0.9% from 1Q/2020, representing 10.0% the same ratio as in 1Q/2020.



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In relation to this, sponsorship fees for international footballs were recognized as expenses regarding on the payment terms, economic benefits, and beneficial period in which the company shall receive as stated in the contractual terms and conditions. Under the current terms, sponsorship contracts with CFC and EFL are ended in June 2021 and May 2022, respectively. Yet, the Company has rights to extend contracts with EFL for another 2 years at the current rates of fee.

Administrative expenses in 1Q/2021 were THB 252 million, an increase by 10.7% from 1Q/2020 due to the increasing staff as per the human resources development plan.

4. Financial expenses

Financial expenses were THB 21 million, a decrease 31.3% largely due to the retirement of THB 1,700 million par value of bond in June 2020 and the loan repayment schedule of ACM.

5. Corporate income tax expenses

Corporate income tax expenses amounted to THB 147 million, a decreased by 11.3% from 1Q/2020, representing the effective corporate income tax rate of 17.5% up from the ratio of 16.8% in 1Q/2020. The lower amount of income tax expenses was due mainly to lower operating income.

6. Net profit and net profit margin

Net profit attributed to the Company's shareholders in 1Q/2021 were THB 700 million, a decrease by 12.6% from 1Q/2020, representing net profit margin of 19.1%, a decrease from the ratio of 19.7% in 1Q/2020. The decrease of net profit was due mainly to lower overseas sales by 16.2% from 1Q/2020 especially the decrease in sales to CLMV because of the unrest in Myanmar since February and a lockdown in main cities of Cambodia owing an outbreak of COVID-19 resulting in lower sales volume and gross profit margin.



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Consolidated financial position of the Company as of 31 March 2021 in comparison with that as of 31 December 2020

Assets

Total assets as of March 31, 2021 and December 31, 2020 were THB 17,044 million and THB 17,087 million, respectively, an increase of THB 43 million due mainly to lower cash on hand which corresponded to lower cash flow provided by operating activities.

Liabilities

Total liabilities as of March 31, 2021 and December 31, 2020 were THB 6,708 and THB 6,929 million, respectively, a decrease of THB 222 million, consisting of current liabilities of THB 5,399 million, an decrease of THB 256 million, and non-current liabilities of THB 1,308 million, an increase of THB 34 million.

Shareholders' equity

Total shareholders' equity as of March 31, 2021 and December 31, 2020 were THB 10,336 million and THB 10,157 million, respectively, an increase of THB 179 million, reflecting a profit in 1Q/2021.

Yours sincerely,

Pongsarn Klongwathanakith

(Pongsarn Klongwathanakith)

Chief Financial Officer